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Canada. Parliament. House of
Commons. Standing Committee
on Transport and
Communications

Minutes of Proceedings and
Attendance.

HOUSE OF COMMONS

First Session—Twenty-seventh Parliament
1966

STANDING COMMITTEE

ON

TRANSPORT AND COMMUNICATIONS

Chairman: Mr. JOSEPH MACALUSO

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 1 - 15

1966-67

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THURSDAY, FEBRUARY 17, 1966

THURSDAY MARCH 3, 1966. (A.M.)

Respecting

The subject matter of the adequacy of the present program and future plans for passenger service on the lines of the Canadian Pacific Railway.

WITNESSES

From *The Canadian Pacific Railway*: Messrs. N.R. Crump, Chairman and Chief Executive Officer, I.D. Sinclair, Vice-President and Member of the Board and Member of the Executive Committee.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1966

STANDING COMMITTEE
ON
TRANSPORT AND COMMUNICATIONS

Chairman: Mr. Joseph Macaluso,

Vice-Chairman: Mr. Gustave Blouin

and Messrs.

Andras,	Honey,	Rapp,
Bell (Saint John-Albert),	Lessard,	³ Régimbal,
Blouin,	Macaluso,	Rideout (Mrs.),
Byrne,	⁴ MacEwan,	Rock,
Cantelon,	² McIntosh,	Sherman,
Carter,	Olson,	Southam,
Deachman,	Orlikow,	Tolmie,
Duquet,	⁵ Ormiston,	¹ Tucker—(25).
Fawcett,	Pascoe,	

¹ Mr. Reid replaced Mr. Tucker, on February 8, 1966.

² Mr. Ballard replaced Mr. McIntosh, on February 18, 1966.

³ Mr. Horner (Acadia) replaced Mr. Régimbal, on February 22, 1966.

⁴ Mr. McIntosh replaced Mr. MacEwan, on March 2, 1966.

⁵ Mr. Ormiston replaced Mr. Ballard, on March 2, 1966.



ORDERS OF REFERENCE

MONDAY, February 7, 1966.

Resolved,—That the following Members do compose the Standing Committee on Transport and Communications:

Andras,	Honey,	Rapp,
Bell (Saint John-Albert),	Lessard,	Régimbal,
Blouin,	Macaluso,	Rideout (Mrs.),
Byrne,	MacEwan,	Rock,
Cantelon,	McIntosh,	Sherman,
Carter,	Olson,	Southam,
Deachman,	Orlikow,	Tolmie,
Duquet,	Pascoe,	Tucker—(25).
Fawcett,		

Ordered,—That, notwithstanding the provisions of Standing Order 65, the said Committee shall consist of twenty-five members.

ATTEST.

TUESDAY, February 8, 1966.

Ordered,—That the subject matter of the adequacy of the present program and future plans for passenger service on the lines of the Canadian Pacific Railway to meet the effective demand of the public for such service and the effects of such program and plans be referred to the Standing Committee on Transport and communications for their consideration and report.

Ordered,—That the name of Mr. Reid be substituted for that of Mr. Tucker on the Standing Committee on Transport and Communications.

ATTEST.

FRIDAY, February 18, 1966

Ordered,—That the name of Mr. Ballard be substituted for that of Mr. McIntosh on the Standing Committee on Transport and Communications.

ATTEST.

TUESDAY, February 22, 1966.

Ordered,—That the name of Mr. Horner (Acadia) be substituted for that of Mr. Régimbal on the Standing Committee on Transport and communications.

ATTEST.

WEDNESDAY, March 2, 1966.

Ordered,—That the names of Messrs. McIntosh and Ormiston be substituted for those of Messrs. MacEwan and Ballard on the Standing Committee on Transport and Communications.

ATTEST.

LEON-J. RAYMOND

The Clerk of the House.

REPORT TO THE HOUSE

The Standing Committee on Transport and Communications has the honour to present the following as its

FIRST REPORT

Your Committee recommends that it be given leave to sit while the House is sitting.

Respectfully submitted,

JOSEPH MACALUSO,

Chairman.

(Concurred in on Thursday, March 3, 1966. Such authority to have effect for this day, Thursday, March 3, and Friday March 4, 1966, only)

MINUTES OF PROCEEDINGS

THURSDAY, February 17, 1966.

(1)

The Standing Committee on Transport and Communications met at 10:00 a.m. this day, for organization purposes.

Members present: Mrs. Rideout and Messrs. Andras, Bell (*Saint John-Albert*), Blouin, Byrne, Cantelon, Carter, Deachman, Duquet, Fawcett, Lessard, Macaluso, McIntosh, Olson, Pascoe, Rapp, Reid, Rock, Southam, Tolmie—(20).

Also present: Messrs. Horner (*Acadia*) and Clancy.

The Clerk of the Committee presided over the election of the Chairman.

Mr. Lessard moved, seconded by Mr. Rock, that Mr. Macaluso be Chairman of this Committee.

Thereupon, Mr. Andras moved, seconded by Mr. Rock, that the nominations be now closed.

There being no other nominations, Mr. Macaluso was declared duly elected Chairman of this Committee.

The Chairman thanked the Committee for the honour conferred upon him.

Mr. Reid moved, seconded by Mr. Duquet, that Mr. Blouin be Vice-Chairman of this Committee.

Thereupon, Mr. Andras moved, seconded by Mr. Tolmie that the nominations be now closed.

Mr. Blouin was declared duly elected Vice-Chairman of this Committee.

On motion of Mr. Deachman, seconded by Mr. Bell,

Resolved,—That the Sub-Committee comprise the Chairman; the Vice-Chairman and three other members named by the Chairman, after the usual consultations with the whips of the different parties, be appointed.

On motion of Mr. Olson, seconded by Mr. Pascoe,

Resolved,—That the Committee print 1500 copies in English, and 1000 copies in French of its Minutes of Proceedings and Evidence.

On motion of Mr. Andras, seconded by Mr. Southam,

Resolved,—That the Committee seek permission to sit while the House is sitting.

Then, the Chairman read the order of reference.

At 10:35 a.m., Mr. Lessard moved, seconded by Mr. Reid, that the Committee adjourn to the call of the Chair.

THURSDAY, March 3, 1966.

(2)

The Standing Committee on Transport and Communications met at 9:38 o'clock a.m. this day, to consider the subject-matter of the adequacy of the present program and future plans for passenger service on the lines of the Canadian Pacific Railway.

The Vice-Chairman, Mr. Blouin opened the meeting and later on, the Chairman, Mr. Macaluso, took the Chair.

Members present: Mrs. Rideout and Messrs. Andras, Bell (*Saint John-Albert*), Blouin, Byrne, Cantelon, Carter, Deachman, Duquet, Fawcett, Honey, Horner (*Acadia*), Lessard, Macaluso, McIntosh, Olson, Orlikow, Ormiston, Pascoe, Rapp, Rock, Sherman, Southam, Tolmie (24).

Also present: The Honourable John Turner, Minister without Portfolio; Messrs. Knowles, Pugh and Stefanson.

In attendance: Messrs. N. R. Crump, Chairman and Chief Executive Officer of the C.P.R., I. D. Sinclair, Vice-President and Member of the Board and Member of the Executive Committee of the C.P.R.

The Vice-Chairman, Mr. Blouin, introduced Messrs. Crump and Sinclair.

The Clerk of the Committee read the Order of Reference.

Then, Mr. Cantelon moved, seconded by Mr. Horner (*Acadia*): That notwithstanding the motion passed at the Organization Meetings of this Committee, the Subcommittee on Agenda and Procedures will comprise the Chairman, the Vice-Chairman and five other members appointed by the Chairman, after the usual consultations with the Whips of the different parties. The above motion was unanimously allowed to stand.

Mr. Crump was then invited to make a statement. Whereupon, on motion of Mr. Byrne, seconded by Mr. Southam,

Resolved unanimously: That the brief presented to this Committee by the Canadian Pacific Railway be printed as an Appendix to this morning's Minutes of Proceedings and Evidence. (*See Appendix A*).

Mr. Sinclair was, in turn, invited to make a statement interrupted by a short recess extending from 11:12 o'clock to 11:32 o'clock a.m., when the Committee reassembled and asked the witness to continue his exposé before being questioned thereon.

The motion allowed to stand earlier was agreed to, unanimously, after the Chairman of the Committee explained that the changes in the membership of the Subcommittee meant that the Subcommittee should comprise the Chairman, the Vice-Chairman, one Member of the Liberal Party, two Members of the Progressive Conservative Party, one Member of the N.D.P. Party and one Member of the Social Credit Party.

The Committee also agreed unanimously to reconvene at 3:30 o'clock and 8:00 o'clock p.m. this day, provided the House grant leave to do so.

The examination of the witnesses continuing, at 1:00 o'clock p.m. this day, the Committee adjourned until 3:30 o'clock p.m. this day, provided the House agrees.

Maxime Guitard,
Clerk of the Committee.

EVIDENCE

THURSDAY, March 3, 1966.

● (9: 40 a.m.)

The VICE-CHAIRMAN: Before we start proceedings this morning I would like to introduce to you today's witnesses. To my right, you have Mr. N. R. Crump, Chairman and Chief Executive of the Canadian Pacific Railway; Mr. I. D. Sinclair, Q.C., Vice-President and member of the board and member of the Executive Sub-Committee, C.P.R., and Mr. R. A. Emerson, President and Chief Operating Officer, C.P.R. I would now invite the clerk of the committee to read the order of reference.

The CLERK: Tuesday, February 8th, 1966.

Ordered "That the subject matter of the adequacy of the present program and future plans for passenger service on the lines of the Canadian Pacific Railway to meet the effective demand of the public for such service, and the effects of such program and plans, be referred to the Standing Committee on Transport and Communications for their consideration and report."

The VICE-CHAIRMAN: I will ask the Committee for a motion concerning a sub-committee of seven instead of five members. Would anybody propose this motion? The motion is as follows:

"That, notwithstanding the motion passed at the organization meeting of this Committee, the sub-committee on Agenda and Procedure will comprise the Chairman, the Vice-Chairman, and five other members appointed by the Chairman, after the usual consultation with the whips of the different Parties."

Mr. DEACHMAN: Mr. Chairman, before this motion is moved, may I say that I understand the Chairman of the committee, Mr. MacLusko, will be able to attend the meeting later on. As he presided at the formation of that sub-committee, could this be laid over until a later time this morning when we will have his explanation of the increase in the number of members of the sub-committee?

The VICE-CHAIRMAN: Is this the consensus of the Committee?

An HON. MEMBER: Mr. Chairman, I would move that this motion be presented.

Mr. CANTELON: I doubt if this is exactly the consensus of the committee.

Mr. McINTOSH: Mr. Chairman, before we vote on that I would like to have an explanation of an increase from five to seven. There must be some reason which we have not been told.

Mr. DEACHMAN: I think this is a reasonable request, Mr. Chairman. I do not know that we need to proceed with haste when we are assured that the Chairman will be here and will have an explanation, and that it can be attended to this morning.

The VICE-CHAIRMAN: This is something I should have said right at the beginning. I was in touch with the Chairman last night. He was supposed to be here early this morning; I do not know where he is now.

Mr. BYRNE: I have been informed that he is now on his way. He has been ill for several days. He has not been well, but he will be here in a few minutes.

The VICE-CHAIRMAN: Shall we wait until the Chairman is here, so that he can give you more explanation?

Mr. BELL (*Saint John-Albert*): Why don't we wait for the explanation, and go ahead now with this morning's business?

Mr. McINTOSH: Yes, go ahead with the hearings.

The VICE-CHAIRMAN: Is this agreed?

Agreed.

The VICE-CHAIRMAN: I would now invite Mr. Crump to present a summary of his brief.

Mr. CRUMP: Mr. Chairman, members of the committee, ladies and gentlemen: As Chairman and chief executive officer of Canadian Pacific, I am glad to appear before the committee.

Today I am accompanied by Mr. I. D. Sinclair, on my immediate right, who is Vice-President of the company and in charge of all our railway operations. Over the last 20 years, there has been an unlimited multitude of statistics developed on the railways in Canada, and it is quite impossible for us to keep all of these in mind, so we are accompanied here today by a small group of advisers who are sitting to the right of Mr. Sinclair.

Members of the committee, as one who has been a Canadian Pacific man all his life, and indeed has worked as an employee of Canadian Pacific for almost 46 years, at all levels in the Company and in most places in Canada, I have been very deeply disturbed at the trend of events over the last few weeks and past few months. And as a fairly consistent reader of *Hansard* and of the current press, I have been impressed by the fact that the Canadian Pacific position has been misunderstood, and that there have been ascribed to us many policy decisions which are completely wrong, and in fact many which have never even been considered within the company. I think this is perhaps a natural state of events because this country of ours has primarily a problem in transportation—and transportation is becoming a highly complex subject—which stretches across almost 4,000 miles in a narrow strip, and many regional problems arise from east to west.

● (9: 50 a.m.)

Consequently, when the Minister called me about the hearings to be held before the committee, I told him I welcomed the opportunity to come and make our position known, and wherever possible to assist the committee on any matter of transportation.

To me, having been in this business all my life, it seems that problems of transportation confronting Canada over the next few years are going to be of paramount importance; and I think they warrant consideration by this committee.

We put in the hands of the clerk of the committee yesterday our briefs, in full, and a summary of the briefs which we have prepared in such a way that if

you wish to make notes on the left hand side, I think you will find it convenient. They are in both languages. I would like to have had them in your hands earlier, but the mechanics of getting them ready were just too great to do so.

With the indulgence of the committee, as Chairman of the company, I think it might be useful if I were to outline shortly the broad policy the company has been following, and the policy it has in mind to follow.

Mr. McINTOSH: Mr. Chairman, I wonder if Mr. Crump would rather sit down to talk.

Mr. CRUMP: Thank you, Mr. Chairman, but for this portion may I stand? Then I think probably I had better sit down.

I would like to also say, Mr. Chairman, that I have a date of many months' standing in New York tomorrow. I have explained all the circumstances to the Chairman and he has kindly given me leave of absence to keep this date as we think it is perhaps of some interest to Canada. In my place tomorrow, by agreement with the Chairman, Mr. R. A. Emerson, President and chief operating officer of the company will be at your disposal. Needless to say, Mr. Chairman, I am at the call of the committee and any time you wish my presence I shall return.

My notes are not long, ladies and gentlemen, but I would like to make a few points because I consider a misunderstanding has arisen. I will not delve into past history—because you are all familiar with the history of the Canadian Pacific—except to say that Canadian Pacific was born a transportation company over 80 years ago, and has been, I believe, a part of Canada really since 1881.

Even from the beginning we were involved in other activities to a lesser degree, but then as now our primary business has been transportation. We have a large staff. In our entire company there are slightly over 67,000 employees, of whom the vast majority are engaged in the transportation business and, indeed, I might say, in the railway business. We have what I consider to be a well-maintained property across this country. Indeed, the measure of the importance of the railway in our operations is that approximately 85 to 90% of all the capital monies expended by the Canadian Pacific Railway Company is on road and equipment. This gives a measure of the importance of the railway within Canadian Pacific.

The Clerk has just read the terms of reference to the committee, and I need not repeat them. I do, feel, however, that the important factor here and the key words are "effective demand", particularly the effective demand for transportation services from Canadian Pacific at the present time and in the future.

To me, effective demand could be interpreted, and I so interpret, as a demand for a service at prices which meet the cost of providing that service. I shall return to that later.

Over the past 80 years, there has been an unending succession of changes in transportation demands, and this has been greatly accelerated by the increased industrial activity and the general prosperity of our country. However, the specific consideration of this committee is the rail passenger service of Canadian Pacific. I think perhaps this could be studied in the context of four factors: convenience, comfort, speed, and cost to the passenger.

On the basis of one or more of these factors, the average individual makes his decision as to which type of transportation service he is going to use. From

the period 1800 to the middle of the 19th century, or really until the beginning of the 1920s, the railways were primarily in a monopoly position because there were no alternate means of travel except those which have existed historically and have become unacceptable.

The first challenge to the railways emerged in the 1920s with the development of the automobile. While it was in a fairly elementary state at that time, it began to be used more and more where the roads permitted. Even then the roads, particularly in the less settled parts of the country, were in a pretty rudimentary condition. And, as a matter of fact, Mr. Chairman, I recall when I learned to drive in Revelstoke, some 45 or 46 years ago, there was no road out of Revelstoke. The small car that we finally acquired had to be shipped into the town by rail. When we look at the Trans-Canada Highway there now, we see an example of the unending changes that I have mentioned.

I think the next period of interest was the great depression of the 1930s. Those of us who lived in Saskatchewan and the other prairie provinces at that time know that there were not funds available to the average individual to acquire motor cars. However, it was in 1937 that a new competitor to the railways first became apparent with the organization of Trans-Canada Airlines and, a couple of years with their transcontinental service.

● (10: 00 a.m.)

We then move into the period of 1939 to 1945, World War II, when the railways' capabilities were strained to the utmost in handling the traffic that was necessary in the pursuit of the country's interests in that war; and this was a very difficult period for the railway. I was at Toronto at that time, and I know how severely strained the capacity of the railway was in both passenger and freight services. Indeed, we converted many of our facilities to munitions manufacturing.

I think the important change took place following World War II, commencing in 1946. I divide the next portion of this particular history between 1946 and 1955, and here we had a major impact on the rail passenger business.

Automobiles had become a way of life; comfort, speed and indeed the cost to the passenger were such that they impinged very seriously upon the rail passenger business. In addition to that, there were greatly expanded air facilities, both of what I might call main line and local or regional services.

I, at that time, was Vice-President of the company. I was very much aware of the competition that was emerging because I travelled a great deal, and Canada Pacific took the conscious decision to endeavour to meet this new competition by building some of the finest passenger equipment in the world, and by putting on a train, a transcontinental train, that we thought was then, and we still think now is the best long distance passenger train in the world.

We examined most of the advanced equipment available on this continent and in Europe, and as a result we built seven train sets—because that is what is required to maintain a daily service across this great country of ours—of stainless steel, with fully modern equipment, which were designed to reduce maintenance as much as possible. They had much better riding facilities than the cars we had rehabilitated after World War II, which I might refer to as our Tuscan Red cars, which were becoming very old. This new equipment, along with the dome cars, provided a first-class service to Canada, transcontinentally.

The General Passenger Traffic Manager of Canadian Pacific and I, travelled a great deal looking at other trains to see how they were operated in an endeavour to make this train the best possible train that it could be. Accompanying this design and building of the equipment there was an intense sales campaign which was conducted not only in Canada but in the United States and, indeed, around the world because, as you know, gentlemen, Canadian Pacific has been advertising not only Canadian Pacific but Canada all over the world for 80 years.

We reduced the transcontinental running time very markedly: something like 16 hours was taken off the time between Montreal and Vancouver by the institution of this train. The equipment which is now operating on "The Canadian", I believe, from my personal knowledge, is as good as any equipment operating anywhere in the world.

These stainless steel cars or the stainless steel equipment we purchased between 1954 and 1955, cost at that time approximately \$40 million. In addition to this, we of course had to buy something like 50 diesel locomotive units for use on "The Canadian" with high-speed gearing, because normally our speed limit is 90 miles an hour, except where restricted, by curvature and gradient or other factors. Of course, these locomotives had to be equipped with steam generators because in this country of ours the heating of passenger trains is a very real problem. We continued to "merchandise", as I call it, the train as vigorously as possible.

A second line of attack on the conditions that I saw emerging in the country was, on many of our secondary main-lines and branch-lines, to replace the old equipment with what are now known as rail diesel cars. These again are stainless steel equipment designed for comfortable riding and for high speed; and they are air-conditioned, of course. We added something in the order of 54 units to our fleet of rail diesel cars, and I think this is one of the largest fleets of RD cars of any railway in North America.

And, if I might again, refer to the unending changes that take place, the RD cars are a far cry from the gas electric cars that I maintained in Saskatchewan and Manitoba in the dusty '30s. There is just no comparison.

All in all, the acquisition of equipment at that period of time, 1954, 1955 and 1956, and some RDCs later, amounted to about \$60 million. As a result of the new equipment and the merchandising campaign that was conducted, there was some upturn in passenger rail revenues from 1955, but in 1958 they started to decline again despite the sales campaign that we were conducting across the country and, indeed, in other countries.

● (10: 10 a.m.)

May I speak for just a moment regarding our competition? In this country today, our greatest competitor, of course, is the private automobile. I think probably the fact that there has been such a tremendous increase in automobiles in Canada—and the automotive industry, as I recall, is entering its sixth consecutive record year—needs no further explanation; but I might add that over 85% of the inter-city passenger miles today in Canada are covered by private automobile.

Then too the bus competition extended very rapidly. There were great technical advances in the construction of buses. There were many more

manufacturing plants established and, of course, the vast sums expended on highways by all levels of government in Canada made this a perfectly natural operation.

The third aspect of competition is air travel. All of you gentlemen are so familiar with the conditions of air travel today that I do not think I need to dwell at great length on it. There has been a tremendous increase in frequency of flights and a great extension of points being served; the reliability has been increased immeasurably, and convenience has been added by the construction of very fine airport facilities right across this country. I only need to point out to you, for instance, the ease with which you can park your car at Malton in Toronto. Indeed, there are large parking lots at every airport, but Malton, to my mind, is the outstanding example and is probably, the best I have seen anywhere in the world for the ease with which you can park your car and get it when you come back. Indeed, another example of the changes that are taking place are the moving sidewalks now being installed in Dorval airport.

What is on the horizon in air travel? To me this is perhaps the most fascinating subject of transportation, although we participate in it to only a minor degree. With the new aircraft on the horizon it is very difficult to say just what will happen in this field. You have all noticed the advertisements that have been appearing in the Canadian press recently of the vastly improved number of aircraft—32 jet flights to Vancouver a day. Indeed, if I may speak for the other airlines, I think they are adding something in the order of 9,100 seats a day. These are astounding figures.

The jet aircraft has been modified for short range inter-city travel; I think they are very efficient aircraft and will render great service to the Canadian public. For the longer distances we have the big jets at sub-sonic speed. And, as you know, toward the end of this year, or early next year, the stretched version of the sub-sonic jet will be flying in Canada with a capacity of probably around 200, but with an ultimate capacity of 225.

And there is more on the horizon. You will recall that the President of the United States has ordered the construction of the C-5A aircraft to take 700 fully-equipped troops anywhere in the world. The commercial versions are on the drawing board, and indeed already there are mock-ups of them. These aircraft will carry anywhere up to 500 passengers per aircraft. The designs have not yet been completed, and the estimates run on these at anywhere from 300 to 700 depending upon the configuration used.

Let us look back for a moment at the factors that seem to me to influence the average individual when he wants to go from point A to point B. First, there is comfort; I do not think I need to spend any time on this. You all know how comfortable your automobiles are today with the endless gadgets they put in and the fingertip control that is available. In buses great advances have been made in construction, seating, and visibility; they have air-conditioning and, indeed, washroom facilities on many of the long-range busses. In aircraft, I think the advances are self evident.

I turn to the factor of speed. In Canada today, speed limits throughout our very excellent highways generally range from 60 to 70 miles an hour, and these speeds are quite practical. Most of our aircraft now are sub-sonic, flying at speeds of 500-550 miles an hour; indeed, some fly well in excess of 600 miles an hour. I do not know whether you have ever thought of it, but I am sometimes

told by airline people that our modern aircraft is a newer version of the old sailing ship. Whereas the old sailing ship could be delayed weeks with adverse winds, or be ahead of time with favourable winds, today if an aircraft gets up in a jet stream and there is a favourable wind on its tail, they can cut off time. A friend of mine came back from Chicago to Montreal the other night in one hour and fifteen minutes. Thus I say they are new versions of the sailing ships.

Cost is the next aspect with which I will deal, and first with our major competitor, the automobile. It seems to me that most people when they want, as I say, to go from A to B and look at the factors merely count the cost of the gas to go there. They have the car anyway for their own purposes within the area in which they live. Consequently the capital cost, the maintenance and the license fees go on in any event and the cost of the journey from here to there generally is calculated by how many gallons of gas you have to buy.

● (10: 20 a.m.)

Now the bus service: buses historically have operated at a fairly low cost to the passenger. They are, of course, not labour intensive as are the railways. The highways have so greatly improved, the country is inter-laced with bus routes which render a real service, particularly in the country, because they can stop, as I have seen them do, at almost every mail box. This is an exaggeration, but they do stop at mail boxes to taken on or let off a passenger. They have a degree of flexibility and can render a service to the public in this respect that a railway cannot possibly do.

With regard to cost in the air, I have not touched on the super-sonics, and I leave these out deliberately when it comes to cost. So far each new model of aircraft has reduced the cost per seat mile. If, for instance, an aircraft of 500 passenger capacity flies the North Atlantic you can understand what will happen to the fares on the North Atlantic and the position in which steamship companies will find themselves. This is another aspect of transportation which we are very interested in.

The company's program for some years has been to withdraw those rail passenger services where the effective demand has disappeared. To continue them, in our estimation, would be a mis-allocation of the transportation resources of our country. I might add that, notwithstanding this gradual withdrawal we have been making over a number of years in rail passenger service where we have felt the effective demand has disappeared, in 1965 the Canadian Pacific had a passenger train service deficit of \$23.9 million.

The question of rates charged for railway passenger service has also been raised. This has been a very difficult matter and one we have given much study, because if your rates are too low, you have everybody on the train, and the additional equipment and facilities that would have to be supplied would be beyond possibility. If the rates are too high, you drive the people away to other forms of transport. Consequently, the people who are running rail passenger trains must give the question of rates great consideration and try to produce what might be termed the most productive rate that will pay for the service which is being rendered.

We introduced the Fare Saver Plan in 1963, and while it brought some additional traffic back to the rails, the additional revenue derived from the lower rates was not sufficient to defray the extra costs incurred. We are still

working on the question of rates. We are completely flexible on this, and I think this study will go on so long as rail passenger service is operating.

In the future, in view of the factors that I have outlined, ladies and gentlemen, it is difficult to see at this time just what will happen in Canada in regard to transportation. Canadian Pacific would like to keep itself flexible to meet the changes that must inevitably take place. However, I would like to emphasize that, as I mentioned a moment ago, we think we are operating the best long distance passenger train in the world in "The Canadian", and we expect to continue operating. There is no thought within the company of abandoning the service of the transcontinental "Canadian".

We have some minor RDC runs—two or three—before the Board of Transport Commissioners for withdrawal. No decision has been given as yet, and these are all in Canada. Looking down the years, I would think that Canadian Pacific would continue to run a rail passenger service between Montreal and Ottawa, Montreal and Quebec City, Montreal and St. John and, of course, "The Canadian" from Montreal and Toronto to Vancouver. Other services employing the fleet of RD cars will be tailored to the effective demand. Of course, the fairly large operation of commuter service west of Montreal, on the Lakeshore, will be continued. Indeed, this is a potent field for study and investigation in all major cities.

We move now into what I regard as special conditions for the future. On the horizon, it would appear that the long-term rail passenger service, if it is continued, must be undertaken in a completely different manner from that of today. There has been a fair amount reported in the press about the newer trains. I think perhaps I should just mention the Takata line in Japan, which runs from Tokyo to Osaka, a distance of about 320 miles. They run at average speeds of well over 100 miles an hour, and obtain speeds of up to 130 or 135 miles an hour. This line was put into service a little less than two years ago. I rode on that line a little over two years ago on a test train, shortly before it was put into service, at about 130 miles an hour. This, without a doubt—and I mention the Takata line first—is the most sophisticated fleet of railway engineering in the world today. They have done a magnificent job. But you must remember that in Japan, over half of its population of 96 million people live in the immediate vicinity of Tokyo and Osaka, so they are in a completely different position from this country. I mentioned 85% of inter-city passenger miles here are covered by private automobile, but in Japan about 75% of the inter-city passenger miles are by train. If any of you have ever ridden on Japanese highways you will understand why this is so!

● (10: 30 a.m.)

This type of operation requires a really good, isolated trackrun, because at speeds of 100 to 130 and 135 miles an hour, the operating conditions must be suitable and safe, not only for that speed but for that type of equipment.

A second major change that is perhaps on the horizon, is in regard to the Atlantic corridor in the United States. You will recall that the President of the United States recently appropriated \$90 million for research and development of high-speed rail transportation in what they call the corridor between Boston and Washington, a distance of approximately 450 miles. Again, there are approximately 40 million people living adjacent to those 450 miles and who would be served by that line. But they are only in the research stage. I think it

is worthy of note that any illustrations you have seen put out by research groups or equipment manufacturers of futuristic trains, if I may call them that, are always on elevated track runs.

Indeed here this applies to the illustrations that have appeared in the Canadian Press of the possibility of such trains operating between Montreal and Toronto. Here you have, I think, a very different situation where you have two million people approximately in Metropolitan Toronto, and slightly over 2.1 million in Montreal. The problems of high-speed operation between Montreal and Toronto are very great and, in addition to this, of course, is the very important problem of density of population.

I am convinced that the vast funds required for this type of operation are beyond the resources of any private company. If it is to be done it can only be done with the backing of government. As a matter of fact, it was just drawn to my attention a few days ago, that the Japanese National Railways are contemplating an extension to the Takata Line beyond Osaka of 300 miles, and the estimated cost at this time, is 1,300 million. This is a measure of what we are faced with. And, incidentally, Mr. Chairman, the last time I was in Japan, the President of the Japanese National Railways, Mr. Shita, gave me a copy of a magnificent film of the Takata Line. It only takes about 20 minutes to show. The Japanese do these films very, very well and, if your Committee, at some time feel that it would be sufficiently interested, we could bring this film up here and show it to members of the Committee or anyone else who is interested in seeing the shape of things in the future in the rail passenger business.

There has also been the suggestion that Canadian Pacific has downgraded its service, deliberately downgraded its service. I would like to refute this suggestion. We have taken off cars from trains where the effective demand had disappeared, and we have taken off trains where, again, we felt there was no demand; but I have insisted for many years that we shall not downgrade the service, because I have travelled on so many of the American trains, over the past 10 or 13 years, where this was done. As a matter of policy, I have insisted that this not be done on the Canadian Pacific. The policy of the company is to provide in the future adequate rail passenger service where there is an effective demand for it.

Another question that has been raised is the possible displacement of employees by the withdrawal of passenger trains. We have almost 50,000 employees in the railway business. There is about a 10 per cent turnover, so that each year we are hiring something in the order of 5,000 people. In addition to this, practically all of our operations operate on a seniority basis. The unions with whom we have agreements have seniority clauses, and there is constant, what is known as bumping or displacement down the line, going on at all times. With the tremendous economy in this country today and the need for freight traffic movement, I do not think that displacement of employees in this regard is as important as has been considered by some people.

It is not generally understood, and I emphasize, that passenger train programme followed by the Canadian Pacific, has been, we think, in the best interests of the people of Canada, and in faithful accord with the Company's obligations under its contract of 1880.

When the Canadian Pacific was incorporated, Canada was little more than a geographical expression. I think there were 170,000 people west of the Great

Lakes and, as you know now, there are something over 5 million. It was the construction of the Canadian Pacific that welded this country together. I could discourse at great length on this being a native of British Columbia.

● (10: 40 a.m.)

We also feel that if the C.P.R. is to properly discharge its responsibilities, as a transportation company, the company must adjust the various elements of its operations to meet the effective demand in various areas across this vast land of ours when changes and demands become evident. An area that seems to me where the changing demand is becoming significant is in rail passenger service. I might say that it is also becoming apparent in other types of passenger service.

In closing, if I may, I would like to recite two or three sentences from the Royal Commission Report on Transportation which was chaired by Mr. M. A. MacPherson, and these are taken from page 46, not entirely continuously, Volume 1:

"It is impossible to view the railway problem apart from railway operations in their entirety and we find there is little social justification and less economic, for the provision of railway passenger services as we know them today. We look forward to the time when railways will be supplying passenger services only in those areas where they can find economic justification for them".

Again, I refer you to an address by Dr. Deutsch, the Chairman of the Economic Council of Canada, in September, 1965, when he made, I think, a very pertinent observation:

"Developments in the transportation industry will have to make their contribution to this improvement in productivity".

Quite apart from the fact that I was a member of the now defunct Productivity Council, in my travels about the world, I have become very conscious of the fact that productivity is going to be the secret of the future success of this country, because as I have said before, the world does not need Canada, but Canada needs the world.

The perpetuation of passenger services which is no longer patronized, or the diversion of traffic from other viable media, by abnormally low fares, can only result in further increases of the rail passenger deficit which ultimately and inevitably must be borne by the public. Action taken by Canadian Pacific in respect of passenger train service, has been examined and confirmed by decisions of the Board of Transport Commissioners and is consistent with the principle enunciated by the MacPherson Royal Commission on Transportation, and the Economic Council of Canada. I think it is significant that each of these bodies, has as its primary function, the protection of all Canadians.

Now, Mr. Chairman, that closes my remarks. We have a brief and a summary of a brief. It might suit your convenience if Mr. Sinclair spoke shortly to the brief, but I am in your hands entirely.

The CHAIRMAN: Thank you, Mr. Crump. Members of the Committee, I want to bring to your attention, first of all, before we continue, that the sub-committee discussed the matter of adjournment at 11 o'clock for coffee to 11:15.

This has been arranged; there will be coffee served here at 11:00. We will adjourn for only that short time to 11:15 and then commence.

I think perhaps to complete the presentation of the C.P.R. and we should have Mr. Sinclair present his remarks at this time.

Mr. SINCLAIR: Mr. Chairman and members of the Committee, as Mr. Crump has said, it is a real pleasure to be here to-day, and particularly so when it appears from many communications media and remarks from various places that there is a misunderstanding around as to the role and function of the Canadian Pacific. I would like to say before I turn to the brief that I think, in the light of my particular responsibilities in the day-to-day operation of the railway of the Canadian Pacific, that I think the men who have worked on it, particularly over these last few months, in the worst weather—as a Manitoban I can say this—they have had since before I was born, have done a magnificent job, outstanding. And the volume of traffic that these people have moved, the maintenance of equipment and the way they have moved the commerce of this country should be something we are all proud of, and not something which should be criticized for whatever purposes the people criticizing might have.

● (10: 50 a.m.)

Now, this brief, termed a presentation, might be of assistance, Mr. Chairman, to the Committee if I highlighted it page by page and maybe this could tie back into the summary. The summary is on a numbered paragraph basis, but the main brief is quite long. We tried to set out the thinking and philosophy that is behind the various statements which have been made. Mr. Crump has enunciated the principles and maybe I could just run through it and highlight it.

On page one, he has dealt with the primary concern of the company in transportation and also, as you will notice in the first paragraph, that any suggestion that the company is pursuing a course looking to abandonment of its transportation function is completely without foundation. Then, the terms of reference of this Committee, as set out in *Hansard*, are quoted, and we have broken them down into four points. I might read those: These terms of reference require this Committee to deal with four points: the extent of the effective demand of the public for passenger service; the company's present program for passenger service; the company's future plans for passenger service; and the effect of the company's programme and future plans for passenger service.

Mr. Crump has said the key to the terms of reference is effective demand. This economic concept, I am sure, is known to many of you. It is not just a demand curve we are dealing with, but an effective demand curve. This introduces very materially the fact that the demand that is satisfied must meet the cost of providing that which the demand calls for. Otherwise we have economic waste. That is dealt with on page 2. Then there are the changes which are taking place in transportation. We have given certain examples of those. On page 3, I ask you to note, is the enunciation of the company's philosophy in these words: "Throughout the years, Canadian Pacific has not only endeavoured to keep pace with change in the demand for transportation, but it has, in fact, anticipated them". We believe that that is the function of the management of a very large and important Canadian institution.

Mr. Crump has set out the four criteria that a passenger uses in determining his choice of a transportation mode. He then dealt with the various areas, which we cover in some detail on pages 4 and 5. Starting on page 5, we deal

with the adaptation of the company's rail passenger service to meet changes in effective demand and enunciate, recall to you really, — and that is what we are doing, recalling to you — some of the reasons why the effective demand for railway service has changed. Mr. Crump has dealt at some length with the very active programs Canadian Pacific launched in the mid-fifties, the expenditure of some \$60 million on passenger equipment, and the fact that this was recognized by professionals in the United States as an outstanding marketing effort is quoted on page 7 of our main submission.

At the bottom of page 7 is a table. Mr. Crump, you will recall, said that after the expenditure of these \$60 million, we had a resurgence of rail passenger interest. This is reflected in the figure, as you will see in the second column. The rise to passenger revenue is \$33.6 million. However, with the changes that were coming in the advances in other modes and changes in people's wants and desires for transportation, notwithstanding the money spent, notwithstanding the marketing that had been taken in, this started to fall and fell off rather rapidly. For example, between 1957 and 1960, there is period of, say, three years. The index fell off 22.4 points. That is a most significant decline in the light of an expenditure following an expenditure of \$60 million. In other words, it says at the bottom of page 7 that improvements made by the company, the moneys expended did not produce the results that were anticipated. And why? We set out four major reasons why on page 8. Automobile registrations between 1957 to date, 1964 that would be, automobile registrations in Canada increased from 3.4 million to five million. In the period 1957 to 1963, expenditures by governments of all levels on inter-city highways, rural roads and urban streets totalled \$7 billion. Third point: In the seven-year period 1957-63, \$650 million were spent on the Trans-Canada Highway, which is right outside the right-of-way fence of Canadian Pacific pretty near from end to end. And in this we are in marked contrast to Canada's other major railway.

Then, finally, in the seven-year period, D.O.T., on technical telecommunications, air terminals and other facilities, spent \$900 million in the period 1957 to March 31, 1964. The statistics as developed by D.B.S. show you how Canadians have moved into modes of transportation other than rail for their travel requirements and wants.

We then deal with convenience, and as a Westerner, I think we all remember when it was difficult in the wintertime. I know that when I went to school in Manitoba, out on the farm, I used to drive in a buggy and then later with a cutter, in wintertime. Now I am told that where I come from they go to school in sports cars. I do not know if that is true or not. They certainly do not go with a buggy.

The bus operations in Manitoba, Saskatchewan and Alberta criss-cross this land and they give excellent service. I have ridden them many times. Many of you have also. Aircraft and technological developments have been dealt with fully by Mr. Crump. We summarized this on page 9. On page 10, we go on to deal with speed. I drive a car some 75 miles out of Montreal. The speed limit is 70 and I have reached 70 miles an hour for over 75 miles. Sometimes I am a little higher than 70. That indicates that there is a certain tolerance. I am not the slowest driver on the road, but I am not the fastest.

Now the cost to the passenger: we can always look forward to reflecting technological developments in cost. This is part of business, and in the air

industry, this has been very apparent. With the large capacity jet, further substantial reductions in air fares are certain. But their costs are always lower than rail because they have cost advantages. They do not maintain right of way, they are not nearly as labour intensive and this has always been in the bus fare structure.

● (11: 00 a.m.)

The company's present program for rail passenger service—Mr. Crump has dealt with that. We deal with that on pages 11 and 12. I would want to point out one thing in the middle paragraph of page 12. In various hearings before the Board of Transport Commissioners a great deal of protest has come forward at times as to the reduction or withdrawal of passenger service. Quite often people would argue that this would have a very detrimental effect if the trains were withdrawn or reduced on the social and economic life of the towns involved. We have many towns, after trains have been withdrawn, made further surveys to see whether there was such a result. In no instance, none, has the withdrawal of a train resulted in the discommoding of the economic and social functions of the towns that were involved, that we have been able to determine.

I ask you gentlemen to remember this. There now is no rail passenger service between, for example, two major cities: Montreal and Boston. I do not see Boston withering. It has a community of interest with Montreal, and Montreal, gentlemen, certainly is first. I go to another area, the Kootenays. I do not see Princeton, Penticton, Castlegar, Nelson and Cranbrook withering. I see them vibrant and growing, and there has been no railway passenger service in that area for some considerable number of years. These are just examples; there are many of them in Canada.

We deal at pages 12 and 13 with the adjustment that we made in The Dominion over the years to meet the changes in effective demand, the reason why in 1960 we cut it back, the reason why we changed its concept and the way we altered the train in trying to meet and help demand, and why we found that we could not continue and then proposed the withdrawal of the train.

Then we deal at page 13, with the reason for the removal of the express and mail traffic from passenger trains to more effective and more competitive ways of handling that traffic. We have moved it to our fast freight and we peddle from several points either with containers or cars by highway vehicles. This is set up there.

There is another point that might be of interest to you, in western Canada, it may be more obvious than it is in the east. That is the building of our new merchandise terminal, for instance, Calgary, Winnipeg, Penticton, Nelson and other places where formally they were associated with the rail passenger service, the rail passenger station. That is not the way they are handled today. Packaged goods, merchandise traffic, move through a merchandise terminal contiguous to a rail freight yard. This is effective, efficient, this is the best way of handling it to give the best service to the customers. Mr. Chairman, it is suggested that it is now 11 o'clock.

The CHAIRMAN: You can continue for a while.

Mr. SINCLAIR: All right. Thank you, Mr. Chairman. Now, at page 14, we make reference to the wage increases that have been very large indeed on the railways in the '50s and '60s, and the impacts of this on the highly labour

intensive function of a long distance passenger train, any passenger train. Mr. Crump has mentioned the passenger train deficit in 1965, at \$23.9 million, set out at the bottom of page 14.

I would like to emphasize that passenger train service in 1965 did not even meet the cost of crew wages, fuel, servicing, repairs and depreciation of equipment, operation of sleeping and parlour cars, dining and buffet service, and traffic expenses such as sales and ticketing. These are costs that there can be no problem, they are very easily identified—to people who are in this field constantly but I do point out that what I have said and what we have set out here, does not include other areas of cost which certainly are attributable to passenger service, yard switching, station service, roadbed maintenance and passenger facility maintenance, clerical and supervisory expenses: these are all affected by changes in volume of the services provided.

Then on page 15 there is a table which says that notwithstanding the adjustments that we were making in our rail passenger service across Canada, because of rise in material prices, because of rapidly rising wage costs, the deficit of Canadian Pacific from passenger service has not dropped nearly as quickly as we had hoped it might have.

The year 1958 is taken as the base year in this table, as that is the year that was studied by the MacPherson Royal Commission. It was then \$27.6 million, and in 1965 it was reduced to \$23.9 million. If these adjustments that Canadian Pacific made, had not been made, I just ask you to consider what kind of figure that would be. Remember that we made substantial reductions in the service being provided. If we had not, this figure would have been a many times multiple of \$20 million.

● (11: 10 a.m.)

Again, at the bottom of page 15, we emphasize a point which I think is of considerable interest and that is that in these deficits that we have set out, there is no charge for constant cost. These are variable cost deficits costing as you know, on rail—and you may not know this—in rail it is divided between variable and constant. Variable is that which is varied with the service provided, and constant is for keeping people like myself around.

However, somebody has to pay me, and if passenger service is not going to take any part of the work I do, then some other service provided by the Company has to. In any event, we have not applied any constant cost in these figures.

There has been quite a bit of criticism and one thing or another about railway costs. Fortunately, I have had something to do with this since 1946. It's a developing science; it requires some knowledge of mathematics; it is a complex kind of problem because we have joint costs.

However, in Canadian Pacific we have, I think it is the most highly developed computer centre in Canada. Certainly in private industry—I am not going to try to keep up to the government—it is the most highly developed. We have had the advice of the outstanding mathematicians in Canada in developing our costing techniques. We have had people like Dr. William Hood, a boy from Saskatchewan who has made it very well in the mathematical field in Toronto, and who has been an adviser to the government. He has spent a great deal of time with us and we have had others besides.

Besides that we have very highly-developed people on our staff. These analytical techniques have made marked progress. I remember somebody referring somewhere to a book by Jackman. Jackman was a kind of book I took in transportation when I went to school. That book is outdated. The conclusions Jackman reached, have not been sound for years. This is a highly, quickly developing subject and I suggest to you that Canadian Pacific has not been backward in adopting these new costing techniques. We have developed them and we have discussed them with regulatory tribunals on many occasions. That is an expansion of page 16.

Now we come to the question of fares that are dealt with by Mr. Crump; the important point again that must be emphasized is that lower fares should not be put into effect if the result is to divert traffic at a loss to the person providing the service, to divert traffic from other media that can handle it economically and profitably. There is no doubt about it that the Faresaver Plan and the other type of low fares that were introduced here in the last part of '63, have diverted traffic that buses and aircraft could carry at a profit, and has diverted traffic to the railways that the railways must carry at a loss.

The growth of alternative modes of transportation we deal with at page 16 and the top of page 17. This is all that is looked at by the Board of Transport Commissioners. They have inspectors; these inspectors go out into the country. They are on the ground; they report back to the Board. They know the situation. The Board goes into the alternative services being provided. We present evidence as to what they are; we call people from these alternative modes before these hearings and we say, "There is no reason to believe that the Board has not properly assessed the suitability of alternative services in any particular case."

The CHAIRMAN: Before going on with your future plans, we will take a break now for 15 minutes.

● (11: 30 a.m.)

The CHAIRMAN: Before we re-commence with Mr. Sinclair's presentation, I think we should discuss the matter of adjournment. It was my intention in discussing it with the sub-committee last week to adjourn at one o'clock, and reconvene here at 3.30 this afternoon, or after Orders of the Day. I think it is only a half hour question period today. We could reconvene at 3.30. I am also going to ask today for concurrence—

Mr. BYRNE: Forty minutes.

The CHAIRMAN: Forty minutes. Well, 3.30 will still give us plenty of time to come back, if that meets with your approval.

I am also going to ask for concurrence today in the motion that was moved last week to allow us to sit while the House was sitting. I have been informed by Mr. Crump, himself, Mr. Emerson or Mr. Sinclair, is prepared to stay here as long as this Committee requires their services and will be here for all the sittings. If it is necessary that the Committee wishes to call other witnesses, then the C.P.R. witnesses are prepared to come back on recall, as I understand it. Is it agreed that we reconvene here at 3.30 this afternoon?

Agreed.

The CHAIRMAN: Fine. I would ask at the present time also, for a motion to have the C.P.R. brief, the 39 page brief which Mr. Sinclair is now going through, printed as an appendix to the Minutes of Proceedings and Evidence of today. Could I have a motion to that effect?

Moved by Mr. Byrne, seconded by Mr. Southam.

Motion agreed to.

Now, Mr. Sinclair: I am sorry I interrupted you.

Mr. SINCLAIR: Thank you, Mr. Chairman. Members of the Committee, we are at page 17. Mr. Crump tells us the first paragraph following the company's future plans for rail passenger service is set out on that page. I draw your attention to the bottom paragraph that the assessment of rail passenger service is to be provided in the future, the availability of passenger car equipment and motive power must receive consideration.

Over on page 18, we deal with what we have done with some of our equipment. We have scrapped obsolete cars, we have converted to work service other passenger cars. That is not there but we have done this; it should be added. And we have converted for freight service passenger diesel locomotives that were moved from passenger service. What is involved in that is, as Mr. Crump has said, our passenger locomotives have a gear that enables them to operate at speeds up to 89-90 miles an hour.

Freight service diesels are geared so that they operate at a maximum of 65 miles per hour, and by changing them the haulage capacity of the locomotive is increased by approximately 30 per cent, taking the 1,500 to 1,800 horsepower locomotives, so that the locomotives that we had on The Dominion, for example, we have converted to freight service by changing their gearing and bringing them down to 65 miles an hour. If we had not done that, we would have lost a haulage capacity of about 30 per cent per unit.

Now the present inventory of Canadian Pacific in passenger car equipment, apart from the rail diesel cars, consist of stainless steel cars which will be fully utilized on The Canadian and the three inter-city runs which Mr. Crump mentioned. These will have to be supplemented on those inter-city runs by certain of our Tuscan Red equipment, that is somewhat newer and is still acceptable to the travelling public. We have in our equipment inventory Tuscan Red units which are now obsolete. The public will not accept them without complaint. The point I wish to stress is the next sentence in the light of present and probable future effective demand for service, there would be no justification for the purchase of expensive new equipment nor for the restoration of the old equipment at a prohibitive cost.

At the present time Canadian Pacific has remaining in its motive power inventory, only 28 diesel units geared for passenger service. Even if we tried to purchase new diesels for passenger service, the burgeoning economy of Canada is reflected in the diesel manufactures as in all other segments of the economy, the lead time is approximately one year. However, from our analysis of the situation as it now exists, and as we see it unfolding, there is no justification for purchasing additional diesel passenger locomotives. I would like to stress here, also on page 18—I think this is important in view of some of the remarks that have been made—the Canadian Pacific diesel fleet is a good fleet. It is doing first-class service and, in light of the tremendous demands that were

placed upon the Company and which it is meeting, notwithstanding many difficulties to a major degree, we have in that inventory now 50 leased units from the United States.

● (11: 40 a.m.)

These are 50 diesel locomotives that come from a number of American railroads and they are made up of 42 road units and 8 yard units. Unfortunately, we have received notice that some of these American roads who have been most co-operative with us, are going to require their locomotives back. Ten of the locomotives we now have under lease will have to be returned by the end of the month. These are locomotives that are used on American roads for hauling ore and which do not normally operate in the winter time. The Duluth Missabe and Iron Range is one example, and these are the ten units that are going back this month, and the Lake Superior and Ishpeming will likely be calling for their units to be returned—four of them we have—the month after this.

Now at the bottom of page 18 we make the comparison of rail passenger fares and what has happened to them in the period since 1949 which is a common date for statistical analysis adopted by many branches of government. We point out that the passenger fares authorized as just and reasonable by the Board of Transport Commissioners, have increased since 1949 from four cents to five cents in the territory Calgary/Edmonton and East, and from $4\frac{1}{2}$ cents to five cents West of Calgary/Edmonton. However, on account of the competitive fares, the Faresaver fares, the effective rate, the effective fare on Canadian Pacific in 1965 was 2.73 cents as compared to 2.72 cents in 1949. In other words, the effective payment for rail passenger service in Canada is the same today as it was in 1949 and we ask you to contrast that with the Consumer Price Index which has raised by 39% in the same period.

It is obvious that rail passenger fares at 2.73 cents in light of today's costs are too low and are much below what the Board of Transport Commissioners have held to be just and reasonable.

We then deal with one thing that I think is most important. Mr. Crump touched on it. We say this; it is difficult to point to any factor that will arrest the present trend adversely affecting rail passenger travel as we know it today. We go on to say why; then Mr. Crump dealt at length with the Takata Line, the tremendous expense there and the difference that was there. I have also had the benefit of riding on the Takata Line in Japan, and as Mr. Crump has said it is a magnificent train. I was staggered at the cost of putting it in, you can see it everywhere, and I also as a Manitoban, having been on some of the roads between Tokyo and Osaka, felt that they had left the world long ago but they have moved them from Manitoba right over there between Tokyo and Osaka. You could not do it if it rained. They are worse than a country market road of the '20s, winding, no gravel, and it is no wonder the people ride trains. That is the way they move.

The north-east corridor—this is an interesting study to anybody that is interested in transportation. The costs are very great. The President of the United States has appropriated \$90 million. My experience has always been that these first figures almost are much higher when the job is done, so let us say that it is going to be in excess of \$100 million. The population is different there and many of you, I am sure, have been between New York and Washington,

and I mention only such cities as Philadelphia and Baltimore, and contrast that with the density of population that we have in this country. We have no where near cities either of New York or Washington size, with Baltimore and Philadelphia in between.

We deal with that up to page 21, and it is to be emphasized that in Japan, in the United States, and in the project that has been speculated on in Canada, for these super-futuristic trains that governments are underwriting. Now it is a question for somebody to decide whether in a country that only has 20 million peoples in its entire breadth can afford that kind of expenditure. Certainly they must be underwritten, and I read that the Canadian National said that they would look to the government to underwrite the financial writ. That was reported in our press.

Obviously, as Mr. Crump has said, this is highly experimental. These are different types of trains than the Takata Line that we are talking about, and they will have to do much research and they will have problems of operation as well as in constructing roadbeds.

The next part of the submission deals with the effect of the company's present programme and the future plans. Mr. Crump has dealt with the suggestion that Canadian Pacific deliberately downgrades its service, and has stated what the company's policy is, and has said that it is without—and entirely without—foundation.

He has told about the policy of the company to continue to provide rail passenger service where there is an effective demand.

Then we deal with the company's employees. I do not know if the committee realizes that in Canadian Pacific what a fine clan we have working for us and how much we appreciate the attitude of the employees from Mr. Crump right to the fellow that started this morning. In Canadian Pacific we do not go to work—we report for duty with all that that connotation means. Now we have given a great deal of thought to what can be done when passenger service falls off, and the service becomes redundant. I would like to say this, that I have had some association with negotiations and things like this, and I am sure that the large majority of employees of Canadian Pacific want to be in a productive job. They dislike operating in a redundant position. I think this is important. Redundancy is a very bad thing on morale. People that work, certainly that work for Canadian Pacific, the majority of them want to be productive, they do not want to be doing something that is not going to be economic, they do not want to be doing something running trains, empty or being filled at less than cost, and diverting passengers from somebody else who can carry them at a profit. There are exceptions, but the majority I am sure feel as I have stated.

On the Canadian People. As a person who has had the advantage of being trained in Canadian history at the University of Manitoba and under the tutelage of such distinguished historical scholars as are known to you, the present Minister of Transport, I was one of his pupils when I was at school. That is a surprise because I look older than he does. That is not true. We have always in the University of Manitoba, been very proud of the relationship that Mr. Pickersgill has had in the history department of the University of Manitoba. He has had some of his students go on as Rhodes scholars to become outstanding

Canadian historians and you have to remember that his senior at that time was the famous Dr. A. R. M. Lower, who has written I think the finest Canadian history that our children now have the opportunity of reading. So much for that little background, and the part of Mr. Pickersgill's background that some of you maybe did not know.

In any event as a Canadian who had the advantage of going to the University of Manitoba, and there are a few of us in the Canadian Pacific, history is very dear to us and we like to study it and we dealt with the history in this brief. The history of the formation of the Syndicate that built the Canadian Pacific is a wonderful story. Its got glamour, its got courage. And we have set out here some of the facts. How much was the government prepared to pay? How many acres of land were they going to set aside? The figures are here, the references are made. Not 25 millions of acres, 100 millions of acres.

When George Stephen was negotiating with Sir John A. Macdonald, history will tell you he said: "Give me more money, and less land". Why did he say that? Because the land was practically worthless. Nobody would buy it, nobody would take it. We set out following these various things. The trouble that Alexander Mackenzie got into to, we make reference to the Allan matter, Mackenzie's failure to build the railway, Macdonald's contract to Onderluk, the commencement of the railway from the Pacific and on page 25 the report of the Royal Commission of 1882. What did they say? That the construction was carried on as a public work at a sacrifice of money, time and efficiency. That numbers of persons were employed who were not efficient having been selected on Party grounds, that large operations were carried on with much less regard to economy than in a private undertaking, that the system under which the contracts were let was not calculated to secure the work at the lowest price or the earliest date. That was back in 1882 and that is when they were dealing with what had happened to the building of the Canadian Pacific before it was taken over by the Syndicate headed by George Stephen.

But before George Stephen and Sir John A. Macdonald made that famous contract, Sir John A. Macdonald went to England and tried to get help from the British Government. They said, "No." He tried to get the Grand Trunk to build it; the Grand Trunk said "No." Mr. George Stephen, and his associates, as we say here, came to the rescue of the Government, in building the Canadian Pacific and holding the Great West to Canada. As I say, it was exciting courageous. We are fortunate in Canada to have as part of our history, this story, this fact.

Then comes the preamble of the Act of incorporation of the Canadian Pacific. I suggest that you read that preamble that we have set out. The purity of language, the turn of phrase, is also something to be proud of.

Now what was the consideration given for to build this railway in ten years, and equip and operate it. A total of \$25 million and 25 million acres of land. Notwithstanding this contribution, the people that were building it pretty near almost lost all their investment. It is a fact—it is recorded in history, the people in the Syndicate put up all their personal assets, mortgaged their homes, got the support of their wives and their friends, to try to bring this tremendous undertaking to conclusion. They almost went under, but with resolve and courage they were successful in completing this tremendous undertaking, not in 10 years but in 5 years.

Page 27 we point out what is a popular fallacy and that is to take the present worth of land, and say that that is what they were worth back in 1881. As I said, you can read the history books. They were worth nothing. Indeed, the Canadian Pacific Syndicate did not, and the Company did not get, the 25 million. 6,000,000 approximately of these 25 million were relinquished to the Government in satisfaction of a debt at the rate of \$1.50 an acre.

Notwithstanding all these things, the Company has a proud history in land settlement. It is written there and it is in marked contrast to the way land settlements lands were handled by certain other railways in other places.

● (11: 50 a.m.)

The Canadian Pacific maintains experimental farms in Western Canada; introduced irrigation in Alberta; brought in breeding stock from Scotland and other places, to improve the strains of western agriculture. Its immigration policy were carrying on and bringing people to Canada from Europe when the Government was not able to do all that it wanted to do in peopling this vast land that Canadian Pacific opened up for settlement.

Harold Innis who is a very distinguished Canadian writer, we quote him, at the bottom of page 27:

"The fulfilment of the contract in the completion of the main line of the road was a significant landmark in the spread of civilization throughout Canada".

Page 28, at the top, is a quote from the Duff Commission of 1932. You will recall Mr. Justice Duff as Canada's most distinguished jurist, a jurist who has been acknowledged as one of the great legal minds of history, and whose confrères in Great Britain, on his death, paid him a moving tribute as to his ability. This is the man who wrote this:

"As a result, the Canadian Pacific, the largest taxpayer in Canada, has been subjected to the competition of publicly-owned and operated railway lines, supported by the financial resources of the country. They, the Canadian Pacific, had honourably discharged their original contractual obligations with Parliament". I leave the rest to your private reading.

Next, a quotation from Professor Hedges, who made a very detailed study of building the Canadian West, and Western Canadians will, I am sure, enjoy some of his remarks, particularly in dealing with this subsidy of land and money. He points out in reference to the 25 million acres that Sir John was pretty shrewd in not giving them money, but giving them land, because he made the Canadian Pacific an agency of land settlement. He made them open up the West for settlement. Then he goes and he quotes the *Manitoba Free Press*, never an apologist for the Canadian Pacific, and it remarks "that the vigorous encouragement of immigration and land settlement in the west weighed more heavily than the number of dollars and acres given for the construction of the railway". He finishes: "Judged by that test, the Canadian Pacific certainly was not found wanting.

Is it not amazing how short people's memories are from what you read today? Now we have met in Canadian Pacific, and we continue to meet, the obligations of the Company to the people of Canada.

Mr. Crump has dealt with the simple nature of transportation to Canada and why. We set it out. I draw to your particular attention on page 29 the fact

that Canadian Pacific is conscious of its responsibility as a transportation Company, but also as a Canadian corporation. We, in Canadian Pacific are proud, that over half of our voting stock is held by Canadians.

Now, we then deal with the Board of Transport Commissioners. We point out that their responsibility is to safeguard the interests of the public of Canada against possible abuses by railway companies. And the railways can vouch to the fact that the Board carries out this duty, to the ultimate degree. Now the Board has held against Canadian Pacific in many cases, however, Canadian Pacific is bound to acknowledge that the Board is the most capable body in matters pertaining to transportation, particularly as they affect the interest of the Canadian people, and the public is well served by that Board.

I personally have had the opportunity of seeing this Board and appearing before them, the Board of Transport Commissioners, and also before the Inter-State Commerce Commission, the Federal Power Commission and the Federal Communication Commission of the United States.

I have read widely from the rates tribunal of Great Britain, and I can say, gentlemen that this Board of Transport Commissioners in Canada is not found wanting in comparison with these other boards.

We then go on, on page 30, to set out the criteria that the Board adopted. There has been a little confusion about this because of Mr. Commissioner Griffin's language in the first judgment on the Dominion. It has been taken out of context; it is easily understood. What he was referring to there was the duty and obligation and responsibilities of the Board under Section 315 of the Railway Act which do not have to do with any labour matters dealing with social or economic functions. That's all that means. The true criteria is set out by the Chief Commissioner. We set it out in extenso at pages 30 and 31. It is a balancing of public convenience against the loss to the railroad company. It requires knowledge, tact, and the exercise of sound judicial judgment.

● (12: 00 p.m.)

Now, this judgment, if you would read it carefully—and I suggest it is worthy of that—shows how completely the problem was studied. I would like to say, and we have said this in the brief, Mr. Chairman, that when the Board makes findings and reaches conclusions, whether before or against the stand taken by us, they are deserving of attention and they are deserving of respect. I have read some attacks on the impartiality of the Board of Transport Commissioners. I say they are unfounded. I say that from the experience, of having appeared before them, and I think further, gentlemen, that just because the tribunal finds against you, to attack its impartiality is deserving of criticism because if that goes on, the breakdown of our institutions is a certainty.

Mr. Crump has referred to the MacPherson Royal Commission. There is a commission that travelled back and forth across this country.

One further point, if I may go back, I would ask you to note, in dealing with the Dominion case—and it is not in the brief—never, never, has the Board ever issued a statement on preliminary to a hearing more onerous on a railway company to meet than it did when it ordered the public hearing on the Dominion. Read that note. See the onus it put on Canadian Pacific. Never in the history of the Board had there ever been an order as onerous as that. And Canadian Pacific had to meet that onus in its hearing in the Dominion case.

The MacPherson Royal Commission, as I have said, travelled back and forth across this country. It met a great, great many times in Ottawa, but in all other places. Now, this was a distinguished group. It was headed up by Murdo MacPherson, who is known to all Westerners as a transportation specialist and a distinguished barrister. You had on it a farm leader, a mathematician he was; an economist, Dr. Platt, from Alberta; a leader from the financial community of British Columbia; an experienced labour leader from Ontario; a forester and economist from Quebec, and the then manager of the Maritime Transportation Commission, who is now the head of the National Harbours Board. That was the Commission.

We have set out, on page 32 and following, some of the evidence that was given before that Commission on passenger service. The first witness is the Honourable Duff Roblin, the Premier of Manitoba, under examination by Arthur Mauro, Counsel for that province. He distinguishes between trunk and non-trunk line passenger services, and he says, and we quote him at the bottom of page 32: "With regard to the trunk line passenger services, the ideal situation would be one wherein the railway passenger service would yield sufficient revenue to meet the fully distributed costs." That is the variable plus the constant. That is what the Premier of Manitoba says. That is what they should do, meet both the variable and the constant. He says that ideal is apparently not attainable, and therefore we submit two points: one, the railway should continue to eliminate duplicate service; second that if the trunk-line passenger services are required, "deemed necessary" are his words, "deemed to be in the national interest", then the losses should be made up by the federal treasury. That is Premier Duff Roblin.

Then we have Dr. H. W. Harries, the Dean of the Department of Commerce of the University of Alberta and a long-time expert witness for the Province of Alberta. He answered Mr. Frawley just like that: "I see no requirement in the world that the Canadian National and the Canadian Pacific run trains from here"—he was speaking in Ottawa, so you can put in after that—here, in Ottawa,—“to Vancouver for the convenience of a few people who are not prepared to pay what the service is worth. If that is the case, if the service is not paying for itself, then let us do away with the service.” There is Alberta's expert witness. There is the man, the head of the Department of Commerce of their fine university.

Then we come to Dr. Ernest W. Williams, a Professor at Columbia University, another one of Mr. Frawley's friends. He appeared for Manitoba and Alberta. What did he say? "There is room for question whether rail passenger services have any persuasive economic reasons for continued existence except in mass commuter and high-density short-haul movements, of which the examples in Canada appear to be limited."

Then Dr. Hughes, Chairman of the Transportation Department, Faculty of Commerce, U.B.C., appeared for British Columbia. He said: "There will always be strong objection to abandonment by an interested minority. Yet it is clear, by reason of the fact that the service is not compensatory, that the majority of the customers have already shifted their patronage to competitive media. The reluctance of the potential customers to remunerate the providers of the service is indicative that it is no longer required."

Then we set out what the Royal Commission's findings were. Mr. Crump has quoted part of this. I will move on to page 35. We emphasized one of the

statements of the Commission, and that is, that the railways are accused of deserting communities by withdrawing passenger train services, when a more objective view would be that the communities have deserted passenger train services.

Now, we bring that to your attention, Mr. Chairman, and members of the committee, not as a complaint, not as a complaint at all against the public, but to stress to you the need for change in passenger train operations commensurate with the effective demand.

Then we go further. At the bottom of the page I draw to your attention this statement: "If the findings of the MacPherson Royal Commission, of which the passenger proposals are a major part, are not to be utilized in framing for Canadians a future transportation policy, the problems will remain as there is no sound and rational alternative".

We then deal with our responsibility as a Canadian corporation. Reference is made to the findings of the Economic Council of Canada in its First Annual Review. Dr. Deutsch, another western Canadian, sets out what he thinks is the necessity for adjusting transportation to optimum utilization, to a fit productivity.

● (12: 10 p.m.)

Then we refer at page 37 to the statements of the honourable Minister of Transport in *Hansard* of February 15. Let us stop for a minute and just run through that. "I imagine there are no 20 million people", said the honourable minister, "whose transportation enters to such a great degree into the cost of living". That is his first point. Here is his second point: "There is no other country with 20 million people that depends so much for its standard of living on exporting a large proportion of its product to the rest of the world." Again: "These two facts mean that if the producers in Canada are to get reasonable returns for what they produce and what is sold in the export market, the cost of transporting the goods must not be too great. This is a basic fact about transport in this country."

The next paragraph from the quotation reads: "Unless we are going to pay an exaggerated cost for our transportation in this country, when services become redundant, they must be discontinued. If we are going to maintain a high standard of living, decent leisure for the old, we have to be efficient. We have to be prepared to scrap out of date services and services that have ceased to be used to a marked degree."

Then, in his final paragraph on that quotation, he says that the cost of the service has to be paid for either by the users of the service or the users of some other service the person provided gives it. That means the freight shifter or by the taxpayer. He says there is no third way. He is only saying exactly what the economists said that I quoted before: Harries, Williams, Hughes. He is only repeating the findings of the MacPherson Royal Commission in essence.

Then we come to the last page of the brief. May I read it, Mr. Chairman? We ask this question: "Is it a fact that not only the Canadian Pacific, but the Board of Transport Commissioners, the Royal Commission on Transportation, the economic Council of Canada, as well as others with specialized experience, these professors, these expert witnesses from commerce that I have mentioned, and others, who have expressed similar views, have all erred in their assessment of what is best for Canada in the field of transportation? Thank you, Mr. Chairman.

The CHAIRMAN: Gentlemen, that is the presentation of the C.P.R. at this time. Therefore I open the meeting to questions, but before doing so, I want to bring formally to the attention of the Committee that we have with us the hon. John Turner, the Minister without Portfolio, who will be with us all through these sittings and will be in charge of the Committee meeting on transportation hearings of the C.P.R. So, Mr. Minister, welcome to the Committee, and we expect to hear from you sometimes during the hearings.

Mr. McIntosh is first on the list.

Mr. McINTOSH: Mr. Chairman, Mr. Bell, the Chairman of our group, of the Conservative Party, reminded me to compliment Mr. Crump and Mr. Sinclair on their presentations. I can assure you I did not have to have a reminder because I think that their remarks were very convincing because as one member said, they were given in a moderate and reasonable tone of voice. I think I can say for all of us that they are very comprehensive, sincere, very frank, and straightforward. They certainly put us into the picture as far as the C.P.R. is concerned. I think they also made it very clear that we have some facts to face. I think we should ask ourselves what are those facts.

The thought struck me, as you were going through this brief in your remarks, Mr. Crump, and the summary and the main brief itself, that the same thing could be said about your train, The Canadian, with very few changes in the brief. I am wondering if we could not sit here maybe to-morrow and listen to you again in regard to The Canadian. I think that is one fact that we must realize is before us.

Now, in regard to the brief itself, I would like to say that to me, the key paragraph in the summary and in the brief is the first one, and also in Mr. Crump's remarks are words comparable to what are included in this first paragraph, a very short one. It says "The major and fundamental concern of the Canadian Pacific has always been and still is transportation, and it intends to stay in progress in the transportation field." I would like, if possible, to have either one of you gentlemen define the word "transportation" as you mean it. In your main brief, you continued and said: "In which there is an effective demand." I would also like you to define that word "effective". I think there are two points of view on that. One, that you, as company officials, take, namely, what is an effective demand, and one that we, as members of Parliament representing the people of Canada, must take. I think they differ greatly.

You also made mention of some of the remarks that have been made about the C.P.R. and said that you felt it had been misunderstood. I do not actually think that they have been misunderstood by the Committee; but I think we must face the fact that maybe they are misunderstood by the public. Because they are misunderstood by the public, it becomes your concern and our concern as people representing them.

I also notice that Mr. Crump said that "we expect to continue The Canadian". That word "expect" may have many meanings. It does not say, or did not say whether you intend to continue The Canadian or for how long. I think maybe that is a question that should be answered.

In fact, I believe that it would save a great deal of time and effort of this Committee if you two, as spokesmen for the C.P.R., would declare to the Committee the desire of the Company in regard to whether or not they wish to continue or discontinue. I should say, all passenger rail service. I think that is

the fact that we must look at. And I would suggest an answer in the affirmative would not only save time of the Committee, but a great deal of public expense as well. The Committee should then spend time in studies of alternative plans to recommend to the government. I think that is the function of the Committee.

I believe the Company, many years ago, realized they had to compete against aircrafts, trailer transport and pipelines and moved accordingly to participate in these most advanced transportations. I think the history of your company relates that. I want you to realize that I say this as a free-enterpriser for which my party stands but I think again I must stress to the Committee that this is a fact that we must face.

From the tone of the brief, I would suggest that the C.P.R. Company no longer wish to continue passenger service. I think it should be evident to the Committee from statements in their briefs that it is the intention of the C.P.R. to discontinue the rail passenger service as soon as permission can be obtained, if it can be obtained. Now, I know in answer to this consideration must be given to the agreement that was entered into by your company and the government of Canada.

● (12: 20 p.m.)

I want to refer for a moment to paragraph 13 of your summary. It says that "aircrafts and air terminals have been improved beyond comparison, resulting in winning the long distance passenger business.

Now, in regard to your own equipment, you have this to say in paragraph 30: "There can be no justification for the purchase of expensive new equipment," nor do you make any suggestions about improving your own terminals, such as the government has done in regard to aircraft terminal. I think you should have given some consideration to that if it is your intention to continue passenger service.

I also cannot understand paragraph 26, I think it needs a little bit more clarification. You say that lower fares may deprive other media of traffic that will be profitable to them. What concern is that of the C.P.R.? Then this statement appears in paragraph 34:

It must be emphasized that the passenger train service program followed by the company has been in the best interests of the people of Canada.

It seems to be inconsistent with your paragraph 19, where you said:

While the Dominion carried many summer tourists, complaints were numerous as to the antiquated equipment used which could not be replaced.

It is obvious that what the C.P.R. considers to be in the best interests of the people of Canada, and this is in your own words, is not concurred in by the people of Canada themselves. Now, my question in this regard, Mr. Chairman, would be: Who is to determine what is in the best interests of the people of Canada? Is it the C.P.R. or is it the government of Canada? Might I suggest to the committee that the terms of reference are much broader than outlined by you Mr. Crump in your brief and call for consideration of many more points than the four recorded in the brief at the top of page 2.

Evidence to substantiate this can be found in the judgment handed down by the Board of Transport Commissioners to which you have made reference. One example on page 6, I think, of the judgment says:

I am satisfied that the release of the motive power now in use on the Dominion can make a useful contribution to the carriage of other traffic. Also grain destined to Russia and the volume of the other freight movements are straining Canadian Pacific's present and presently available motive power.

A study of the freight requirements are necessary to determine the validity of such a statement as far as this committee is concerned. We wonder why you did not foresee, the same as other carriers foresaw, the need for more and better equipment.

The figures to my mind that you have been giving, I think we must accept, but I think we must have a comparison of those figures in relation to the increase in population which you have not given. Percentagewise is there much difference today compared to fifty years ago? I would say the tables recorded on pages 3 and 6 of your summary, if they are to mean anything to us in the committee, should be compared with your competitor's figures, the C.N.R. figures, for the same period, the C.P.R.'s freight figures for the same period, to see if the management were remiss in not foreseeing the need of additional motive power. We should also compare them to see what the trend in passenger service was at that time with the airlines of Canada. And I also would like to see a comparison from you, Mr. Crump, of similar figures for the Canadian which you have provided? Was the same trend evident in the Canadian as appeared in the Dominion for that time.

I would also like a breakdown, an analysis, if you wish to call it that, of the amount of money you claim that your company lost during the period recorded in your brief. For example, \$23.9 million is the last figure that I remember in the brief. I would like to know what amount of that figure is a fixed expenditure. In other words, what amount did you charge up to the Dominion for say overhead, maintenance and depreciation, for example? Because, with the discontinuance of the Dominion, those fixed costs now must be transferred to some other of your operating costs. Would it be added to the freight costs or would it be an additional cost to the Canadian? If the figures are presented to us six months from now or one year from, will this additional cost be included in the \$23 or \$24 million and will be added on the cost of the Canadian? Do I make myself clear on that one point? The point that I am trying to get at is what would be the total savings if some portion of this \$24 million were discontinued?

Mr. SINCLAIR: We understand your point. We will be glad to deal with it.

Mr. McINTOSH: I might say to you, Mr. Chairman, that with all the figures and the different ways that they can be compiled, as we know, by economists and so on, I doubt very much whether the Board of Transport Commissioners or we as a Committee can get comparable staff to go in to analyse these figures which the C.P.R. has spent many years in doing.

Maybe we should take the figures because we cannot deny that they are a successful company and part of their success must be attributable to the method in which they do their bookkeeping. I am not too satisfied with the figures that are in this brief, or was it in the judgement handed down by the Board of

Transport Commissioners, I forget which, in regard to reservations, because practical experience with which I have a personal acquaintance does not bear out the figures that you present or the figures that you have given to the Board of Transport Commissioners on reservations. I fail to see how you can record telephone calls, and so on, when people wanting to ride on your trains have been turned down because there is no accommodation on the train for them. I am quite sure that this is not done in all stations. I am sure that it amounts to many thousands of people of whom you have not got a record. Thank you Mr. Chairman.

● (12: 30 p.m.)

The CHAIRMAN: Mr. McIntosh, I gather from your remarks, these points that you have raised are to be studied by C.P.R. and come back to the Committee with the answers. We do not wish them all answered at this particular time but perhaps tomorrow while they are here.

Mr. McINTOSH: Mr. Chairman, I understood that the gentlemen are going to be available to the Committee. I think that I am speaking on behalf of the Conservatives when I say we would like to have answers to some of those questions and maybe others and they cannot be given off the cuff; they will have to look them up.

The CHAIRMAN: That is what I meant you wanted them to study that and come back.

Mr. Crump will deal with some of your queries now, Mr. McIntosh.

Mr. CRUMP: Mr. Chairman, as I mentioned, I do not expect to be here tomorrow but I will be glad to come back later if it is the wish of the Committee. Mr. Emerson will be here tomorrow. But if I may, while I am here, I would like to deal with some of the broad policy matters which have just been raised. I think the first and most important is the definition of transportation. What do we mean by transportation? I think it has been the claim of the Canadian Pacific from the beginning that while the Canadian Pacific Railway Company is a transportation company, and while the railway has been and still is the most important part of our business, of the whole corporation, and I anticipate that it will continue, we for instance, started in the steamship business in 1886, and this was done on the Pacific immediately after the completion of the transcontinental line in order that Britain, at that time, would have a shorter route from Britain to the Orient. Our first ship was put into service in 1886. Under charter, we had our first ships built. Incidentally, they had to be to the specifications of the British Admiralty, and capable of being converted to armed merchantmen in 1889. And this established the all-red route which was somewhat shorter in time, in those days, than via Britain to the Orient via Suez. I think this was the real start of Canadian Pacific becoming a transportation company. Now to-day, we are in various forms of transportation. First the railways, most important, and as I say, by far the important segment in our operation, that, incidentally, produces better net earnings than any other activities we are in by far, or all the other activities we are in. Certainly in the steamship business there is a great transformation taking place, particularly in the passenger steamship business, in the packaged freight business. The opening of the St. Lawrence Seaway up to the head of the Lakes has changed our steamship business very markedly and we have had to restructure our whole

fleet. And now we are moving into a new field, the bulk carrier, which is becoming more and more prominent throughout the world. We are in a small way in the trucking business on the highways of Canada, and in a small way also, relatively, we are in the air business.

It has been suggested, I think, in some articles I have seen, that Canadian Pacific wants to get rid of the rail passenger service and transfer it all to air. This, obviously, is an impossibility. We have two major airlines, two flight carriers in Canada. Air Canada is one of the finest airlines in the world. I have travelled on a great many of them. But, as compared to Air Canada, our operations are relatively small. I would think, if you took a look at the statistics, it would work out to about four to one, in other words, about twenty percent for us. Obviously it is impossible for us to think that with the skill the equipment and the very fine organization that they have, that we are ever going to impinge too seriously on Air Canada.

So this is what we mean by transportation, and I put them in that order: the railway first, historically the steamships, and now we are moving into the new field of bulk carriers. As you know they are building carriers now up to 150,000 tons. To give you some measure of comparability, our two Empress vessels are about 27,000 tons and our package carriers which sail between Europe and Canada and up the Seaway are about 7,000 tons. And when you move into the field of 150,000 tons, and up to 200,000 tons, this is going to completely change the concept of ocean terms.

In the rail passenger business, it has not been the thought that Canadian Pacific wants to get out of this business. We want to tailor our rail passenger business, as we must tailor all of our operations if we are to stay alive, to the need of the country.

Mr. McINTOSH: Can I interject, Mr. Crump, and ask you what you would think about the government leasing your lines and running the passenger service?

Mr. CRUMP: I hope I am not here when that happens. I think we can run the passenger trains if they are needed. Now, I realize the point that you raised: is it management's discretion or is it the people of Canada? You gentlemen here are representing the people of Canada. Initially, management must make a decision. This we did in the case of the Dominion, and then that decision was tested by evidence and hearings right across the land by the administrative tribunal appointed by the government for this purpose. They supported that decision. You gentlemen, I fully realize as a Canadian,—and I think I have proven my interest in Canada over a great many years—represent the people of Canada, and this is why I welcome the opportunity to come here and discuss these problems with you. It may well be that down the line as we go along, and in the past, we have made mistakes. I maintain the only fellow who never made a mistake is the fellow who did not do anything. I certainly made plenty in my time.

On the question of the Canadian, the Canadian is in a loss position. Labour intensively is a costly operation as any transeontinental train is with a full complement of cars and accommodation. It is interesting to note, I think, that on the Canadian or the Dominion, when it had a full consist, at any one time there were probably only twenty-five employees. And, if I recall correctly, for instance, in moving across the country—and you recall it takes seven trains to fill

one transcontinental train—there is probably something of the order of thirteen or fourteen changes of engine crew. We have to compete against the air carrier, which does that same distance in six hours and who probably has perhaps six or seven employees on the aircraft, and perhaps up to 140 passengers. This is the problem which we have to resolve.

There is justification for running the Canadian, and I wish to reiterate that I expect to see the Canadian running for many, many years, but I cannot forecast the future too far down the line. That reminds me of another point I want to raise. But certainly for a great many years the Canadian will continue to operate. In the language of the Royal Commission, it may well be that it will continue to operate as a matter of managerial discretion. I happen to be very proud of the Canadian. I know from my travels that it is highly regarded; it is a name train of the world, and think it is good for Canada to have that. Particularly in Europe and in England the Canadian is well known. I think perhaps down the line that that train will be operated not because of the economic justification, which I do not think we will be able to prove at the rates we can charge, but as a matter of managerial discretion as a main train of the Canadian Pacific. Now, I again anticipate, but as I have no crystal ball I cannot look too far down the years, that this is a matter of judgment and I think mostly experience combined with judgment. As I mentioned in the brief we would be operating passenger trains from Montreal to Ottawa, Montreal to Quebec City, Montreal to Saint John also for a great many years.

● (12: 40 p.m.)

To return to this matter of forecasting, we have tried to forecast the events or trends in the Canadian economy. We have not always succeeded. Our trends have been correct but the amounts have not always coincided. I think perhaps the best example of this was in 1965. The forecast that we had, and I think many other people had, was that the economy of the country would probably increase over 1964 at the rate of about 7 or slightly over 7%, speaking of the gross national product, of course. Actually, although final figure has not been published, it looks as if it might have been 9%, or between 8.9 and 9%. We certainly had not forecast that. The tremendous boom if I may use a western expression, that is going on in this country is really unbelievable. Perhaps we are too much inclined to look at our neighbour south of us, who account for over half of the gross national product of the world. We have not reached that; but 9%, I suggest to you, is an increase in the economy of the order of West Germany or Japan.

We are having difficulty this year. I think the railway is more expended than I have ever seen it. We are moving a tremendous amount of traffic. In addition to that, we had a near record grain crop. If I recall correctly, it was the third highest wheat crop we have had in the country's history. It probably would have been a record grain crop had it not been for the bad weather in the far west last fall. And on top of this, evidently there was a shortage in the grain crop in the Ukraine and Russia which necessitated their buying large quantities of wheat. In our forecasting we try to assess crop conditions as we go along, but we have no means of assessing what may happen in the U.S.S.R. or in China. And it seems that this year we have been hit with the whole thing. Our people on the road—and I have knowledge of this personally, having gone through it

myself so often—have gone through a terrible winter, and this condition existed right across this country. Now, you may dispute that, but we have already had over ninety inches of snow in Montreal alone, and with the severe weather on the Prairies, the slides and avalanches and wash-outs on the mountains, this has been an extremely difficult year. I want to say now that I am proud of the job Canadian Pacific employees are doing out on the railway. I think they are doing a magnificent job.

Another feature is forecasting—that is, forecasting of equipment. There has been a great change in Canada in the requirements for equipment. We are hearing a tremendous amount about boxcars, because of the availability of boxcars for the shipment of grain. But over the past ten years in this country there has been a great need for specialized equipment which we have been trying to meet, and this takes many, many different forms, tri-level cars, covered hoppers, long gondolas for handling steel products and all the other things. We have been trying to build up our special equipment inventory, and at the same time acquiring boxcars. But of course, as we acquire specialized equipment in many cases this releases boxcars for other service such as grain. At the moment, if I recall, we have just short of 81,000 units of freight equipment. Now before the first Great War, a boxcar could be bought for \$1,300, or \$1,400. At the moment, the price of boxcars that is being demanded by, for instance, this tremendous export of Canada newsprint, can cost up as high as \$28,000 per unit; and much of the specialized equipment that we have to buy is very expensive as compared to years gone by, and unit costs of \$20,000, \$27,000 or \$28,000 per unit is not unusual.

We have tried to tailor our inventory to the needs as we could foresee them. Now perhaps we failed, but I do not think it would be prudent management to overbuy equipment in the hope that the traffic may show up. If I were to operate on that basis, I do not think my directors would have me around very long. We have a freight equipment programme, as I recall, of something in the order of \$46 million to \$48 million at the moment, and this may be added to as we go along. Normally, in this country, the traffic peaks for short intervals, and if you tailor your equipment for something slightly over normal traffic you can handle the peak by pushing utilization. If you buy for peak traffic then there is a waste, a distinct waste of money, and in my company we have never felt that we could do this. Both for freight and diesel equipment we have tried to tailor our needs to what we could foresee. This winter, I readily admit, it looks as if we had been lacking in foresight. We have, for instance, thirty-two diesels on order at \$340,000 each. They will start to come in June or July. Last year we had a very large expenditure for upgrading our diesels because there have been advances made in the diesel field. I first studied diesels in 1927, but it was not until the end of the fifties that we completed dieselization on Canadian Pacific. Fortunately we did, because had we not done so, regardless of the number of steam locomotives in service, this traffic could not be handled today. It would be impossible. We have tried to lease diesels from our people in the United States but, as I mentioned a moment ago, they also have a booming economy, to the extent that \$711 million in 1966 looks like a minimum. The last estimates I have seen looked to be around \$725 billion. This is the United States gross national product. We hope to continue to tailor our needs for handling the

business that we can foresee in the railway, and our equipment programme is designed accordingly. I would ask Mr. Sinclair to carry on some of the other points that have been made by the member.

Mr. McINTOSH: Mr. Chairman, before Mr. Sinclair carries on, my last question arises out of something Mr. Crump said. I appreciate his frankness, and I think that he expects us to be very frank also. I think this is necessary if this committee is going to do the job that it was set up to do. In the event that there is a recommendation from this Committee that transportation be nationalized—and, I said, in the event—

Mr. Rock: I thought you believed in free enterprise.

Mr. McINTOSH: I do. I will explain this later on to the Committee. But, to get to my question, I think, Mr. Chairman, that we must make recommendations to the government how to go about this without, say, possibly an increase in taxation as far as the public is concerned; and it may be that we will recommend—and I say maybe, Mr. Rock—that all transportation, or a portion of it, be taken over. In order to do that, to offset the cost of passenger service, which is our main concern, we may have to add additional revenue to the government, say, from the freight services. Now, I do not know that the powers of this Committee are in regard to requesting information from the Canadian Pacific Railway, but would the Canadian Pacific Railway be prepared to give us the profit figures, say, on the freight end of their business?

The CHAIRMAN: We are restricted to passenger service by our terms of reference.

Mr. McINTOSH: I said if there is a relation. I think that Mr. Crump and Mr. Sinclair have brought out in their brief very vividly that this refers to aircraft—

The CHAIRMAN: Yes, I agree with you. I am just going by the terms of reference here, and I put it to the members of the Committee that our terms of reference make no mention of freight, although there is an interrelation. There is no doubt about that.

● (12: 50 p.m.)

Mr. McINTOSH: This is what I think should be understood—

The CHAIRMAN: We are restricted to the terms of reference, and I just wanted to bring that to your attention, Mr. McIntosh. I shall let your question go to Mr. Crump.

Mr. McINTOSH: Maybe they can give us a decision on that question later on.

The CHAIRMAN: Before we continue, I note that it is eight minutes to one. Before Mr. Sinclair answers perhaps it would be better to have Mr. Sinclair commence when we come back at 3:30 because we will have more time at our disposal then. I have a number of members who wish to ask questions.

I want to bring to the Committee's attention—and I apologize for having been half an hour late because, and I find this quite ironic, the Chairman of the Transport Committee had a problem of transportation in getting here this morning, that there was a discussion at the organization meeting, and a motion was put, seconded and carried unanimously that the steering committee of this Committee consist of five members, being the chairman, the vice-chairman and three other members appointed by the chairman after consultation with the whips of the different parties. This was done. And, from that time until the time

the sub-committee met there was discussion among members and whips of all parties and chairmen of the respective parties as to whether or not this Committee should be extended from five to seven, thereby having on the sub-committee a representative of each party. After discussing this with the various parties, we felt that this was best and, therefore, a sub-committee was called last week to discuss this matter with the representative of each party. And the breakdown discussed was that it should consist of the chairman, the vice-chairman, one other Liberal member, two members of the Conservative Party, one N.D.P. member and one Social Credit member. This was approved by the whips and by the representatives of all parties and, therefore, it was agreed that it would come before this Committee today for a motion, as follows: that notwithstanding the motion passed at the organization meeting of this committee, the sub-committee on agenda and procedure would comprise the chairman, the vice-chairman, and five other members appointed by the chairman after the usual consultation with the whips of the different parties.

Now, if there is no discussion on this I would ask someone to make the necessary motion.

Mr. ROCK: I would like to discuss this, Mr. Chairman. You mentioned two Conservatives?

The CHAIRMAN: Two Conservatives, one N.D.P.—

Mr. ROCK: One more Liberal, did you say?

The CHAIRMAN: There would be the chairman, the vice-chairman, and one other Liberal member, making really, in effect, if you want to put it that way, three members. But two, not counting the chairman—

Mr. ROCK: When you mention the Social Credit party, which one of the Social Credit parties do you refer to?

The CHAIRMAN: There is only one Social Credit party in the House. The other one, I understand, is Ralliement des Cr ditistes. So, there is no member on this committee from the Ralliement des Cr ditistes, and the member of the Social Credit Party would be Mr. Olson.

Mr. CANTELON: I so move.

Mr. TOLMIE: I second the motion.

Motion agreed to.

Mr. BYRNE: Mr. Chairman, I wish to speak on the point of order that was raised, at least the question as to the terms of reference.

The CHAIRMAN: Well, I think we can leave that right now, Mr. Byrne. I think we should just go on with the questions. This was just something I brought to the attention of Mr. McIntosh, and I would ask that he look at the terms of reference.

Mr. BYRNE: I want to say, Mr. Chairman, at least my personal feeling about this matter is that the terms of reference were somewhat confining. We were asked to study—

The CHAIRMAN: I do not want to get into a discussion of the terms of reference, Mr. Byrne. I just brought that forward for Mr. McIntosh to look at for future questioning.

Mr. BYRNE: I just wanted it understood that this was my impression, Mr. Chairman. It is my personal feeling that our terms of reference—

● (1: 00 p.m.)

The CHAIRMAN: I have made a note of your views on this. I do not wish to go into this.

Mr. BELL: May I offer a suggestion that the committee staff look into the possibility of obtaining a map with the different railway routes on it because as a poor old Maritimer I get a little bit confused with all this Western jargon and the different routes. If this could be done practicably it would help.

The CHAIRMAN: Can we have a motion to adjourn until 3:30, provided we obtain the consent of the House this afternoon to sit while the House is sitting.

Mr. CARTER: Mr. Chairman, before we adjourn, can I ask you a question? This is an important hearing and the report of this Committee is going to be a very important document which will be referred to in so many years to come. Since the original agreement has been referred to in the brief and excerpts from it are contained in the brief I was wondering whether it would be possible, if the document is not too bulky, to have the whole document produced and incorporated in the evidence.

The CHAIRMAN: Mr. Carter, this matter has been taken up already with officials in the Minister's office, and I understand that they are making copies of it readily available to all members of the Committee. This was discussed at the sub-committee meeting. I had stated at that time that I already had asked the Minister's office to have the copies of the original agreement obtained, and they are doing this. As soon as they are ready, they will be made available to all members of this Committee.

On the matter of the cost analysis that was discussed by Mr. McIntosh and brought forth in the House, this also is being looked into very carefully and I hope to have some report on it for you this afternoon or to-morrow.

Mr. CARTER: Do I understand, then, Mr. Chairman, that it will be incorporated as part of the proceedings?

The CHAIRMAN: Well, that will be up to the Committee when it comes before the Committee.

Mr. CANTELON: Is there any understanding as to how many copies of the report of the proceedings will be prepared each day?

The CHAIRMAN: We received authority for that at the organization meeting, Mr. Cantelon. Now, just one moment, please. I would ask all members to be in the House this afternoon when I move for concurrence of that report because I think it is very important that we agree on this.

Mr. MCINTOSH: I move that we adjourn.

Mr. BYRNE: I second the motion.

The CHAIRMAN: It has been moved by Mr. McIntosh and seconded by Mr. Byrne that we adjourn until 3:30, provided we obtain permission to sit while the House is sitting.

Motion agreed to.

APPENDIX A

PRESENTATION OF CANADIAN PACIFIC

Canadian Pacific Railway Company was born a transportation company and has been providing transportation to Canada for over eighty years. It intends to stay and advance in all spheres of transportation in which there is an effective demand. As the Company's growth has progressed other activities have developed, but it should be emphasized that Canadian Pacific's major and fundamental concern always has been and still is transportation. Its largest investment is in transportation. Almost 90 percent of its personnel are engaged in transportation work. These include thousands of loyal and efficient employees representing years of experience in all phases of transportation service and a mature staff of transportation specialists, led by a group of capable supervisors across the country. With such resources, Canadian Pacific has no intention whatsoever of getting out of the transportation business. Any suggestion that it is pursuing a course looking to abandonment of its transportation function is completely without foundation.

One element of the Company's transportation function is its rail passenger operation, and it is this element that the Parliament of Canada has asked this Committee to consider, under the following terms of reference:

That the subject matter of the adequacy of the present program and future plans for passenger service on the lines of the Canadian Pacific Railway to meet the effective demand of the public for such service, and the effects of such program and plans, be referred to the Standing Committee on Transport and Communications for their consideration and report.

These terms require consideration of the following points:

- (a) The extent of the effective demand of the public for passenger service;
- (b) The Company's present program for passenger service;
- (c) The Company's future plans for passenger service;
- (d) The effect of the Company's program and future plans for passenger service.

Effective Demand for Rail Passenger Service

The key words in the terms of reference are the "effective demand" for passenger service. Effective demand is the criterion upon which the present program and future plans of the Company for rail passenger service must be assessed. Effective demand is the demand for a service at prices which meet the cost of providing that service. Services or goods that cannot be sold for what it costs to produce them do not possess an effective demand, and their production

is an economic waste. Throughout its history, the policy of the Company has been to meet fully the effective demand for passenger service and it intends to do so in the future. The Company has never ceased to provide passenger service where there was an effective demand. In fact, there have been many occasions, as is well known, when the Company has continued a service when there was no longer an effective demand for it. The Company has always been reluctant to discontinue a service, and has never done so until after its studies established that the effective demand had gone and could not be recovered.

Over the years one of the most significant features of transportation demands in Canada and elsewhere has been the unending succession of changes. In land transportation, highway freight service arose from a new demand. More recently this type of service was integrated with rail services by piggyback and modern techniques in merchandise handling. The Company has been quick to provide many varieties of specialized freight car equipment to meet the diversified needs of freight shippers, and fast freight schedules have been established to speed the movement of traffic and reduce inventory costs of shippers. On the water, the traditional coastal steamships have been supplanted with vessels that carry highway vehicles. In the air, the demand for service has resulted in the development of facilities for air cargo, which are constantly being adjusted and expanded. These are examples of changes in transportation demands. Throughout the years Canadian Pacific has not only endeavoured to keep pace with changes in the demand for transportation, but it has, in fact, anticipated them.

The specific demand for consideration by this Committee is that for rail passenger transportation on Canadian Pacific. In order to determine this particular demand, it should be studied in terms of its various elements, which are:

- Convenience
- Comfort
- Speed
- Cost to passenger

It is on the basis of one or more of these elements that the passenger chooses between the various transportation alternatives. In other words, these are the considerations which, perhaps unconsciously, run through one's mind when one decides how to travel from A to B. During these past eighty years the modes of travel which have had the best combination of these features have met the demand of the travelling public.

The advantages of convenience, comfort, speed and cost to the passenger have not remained with one mode of transportation. Before the transcontinental railway was built, the river boat and Red River cart offered the best in convenience, comfort, speed and cost to our rugged predecessors, although they may have been loath to agree to the first three.

With the construction of the railway, primitively-heated and gaslit passenger cars offered unsurpassed convenience, comfort and safety to settler families. As to speed, although these earlier trains were not operated on the present schedule of "The Canadian", to go at reasonable cost from Montreal to Vancouver in less than a week was a tremendous improvement over previous travel arrangements.

For more than thirty years there was almost no other way to travel than by train: in other words, rail passenger service experienced no weakening of the effective demand. Then in the 1920's a challenger appeared in the growing mass-production of automobiles, which forced the building of better roads for longer distances. However, because of the uncertainties of automobiles and roads of those days, most potential travellers could not be persuaded to abandon the comfort, convenience, speed and cost of rail passenger service. Even branch line passenger trains were able to retain their patronage and, consequently, the effect of the automobile on rail passenger business in the early 1920's was negligible.

From 1930 to 1939, while Canada suffered from the Great Depression, highway travel had only a limited effect on rail passenger service. Depressed conditions retarded the sale of automobiles and the construction of more and better highways. Nevertheless, a new competitor to the railways appeared during this period with the inauguration in Canada in 1939 of transcontinental air service. Although travel by air was obviously faster than by rail, it did not then enjoy full public confidence, and the vast majority of potential travellers continued to prefer the convenience, comfort and cost of rail travel.

During World War II restrictive measures severely limited the expansion of civilian road and air travel, and the railway's passenger facilities were utilized to the limit of their capacity with the addition of Armed Services travel.

Following World War II the production of passenger automobiles was resumed on an unprecedented scale and the number in use began to increase rapidly. This resulted in a demand for more and better highways, to which the various levels of Government responded by the inauguration of vast programs of highway expansion. Also during this period the advances in aviation that had developed from wartime experience were transferred to the civilian industry, and greatly improved aircraft became available. At the same time, Government expenditures for air services began to grow and ground facilities for passengers were upgraded.

In this period from 1946 to 1955, the major impact upon rail passenger travel occurred. It was felt most severely in branch line service, due to automobile competition. It was also felt in some measure in main line transcontinental service from the inroads of air service. This was an obvious threat to the effective demand for rail transportation. It presented the danger of transfer of the advantages of convenience, comfort, speed and cost from rail to road and air, and it was met most vigorously by Canadian Pacific with new and improved equipment, faster scheduling and increased sales promotion.

Adaptation of Canadian Pacific Rail Passenger Service to Meet Changes in Effective Demand.

The Company has always been ready to meet and, in fact, to anticipate the demand for rail passenger service. In the early 1950's, it became obvious that other media had removed the effective demand for branch line passenger service, but there appeared to be reasons to expect that demand for transcontinental and inter-city passenger service could be developed and increased. However, in retrospect, it is now clear that the long-term effective demand for

much of the transcontinental and inter-city rail services had been over-estimated. As public confidence in air travel increased, the competition over longer distances became more pronounced. Further, the increase in automobile ownership in our affluent society had had an enormous impact on short-haul travel.

The immediate measures taken after the war were a general remodelling and modernization of existing main line passenger train equipment, including the application of improved air-conditioning and various other measures to improve riding qualities and add to the comfort and convenience of the passengers.

This was followed by an intensive study of passenger car equipment for use in transcontinental service. The study revealed that if railways were to remain competitive, greater comfort and convenience had to be offered. To achieve this, advantage had to be taken of the new technology in passenger car design and construction. Therefore, a decision was made to place in service across Canada "The Canadian", consisting of seven train sets of streamlined stainless steel equipment of the most modern and attractive type, including two scenic dome cars per set. The schedule from Montreal to Vancouver was reduced by sixteen hours. In addition to reducing travel time and improving passenger convenience and comfort, this equipment allowed new economies to be made in maintenance and operation. It permitted maximum use through the adoption of preventive maintenance techniques, virtually eliminated the need for painting and contributed to a reduction in cleaning and other costs. This equipment, which is still in operation on transcontinental and other routes, remains the equal of the finest passenger equipment used anywhere in the world.

In addition, over fifty new diesel locomotives geared for passenger train operation were acquired to replace steam power so as to improve scheduling and reduce maintenance and operating costs.

Inauguration of "The Canadian" in April, 1955, was accompanied by the most extensive campaign of merchandising in the history of the railway industry. This new train was promoted in communications media throughout Canada, the United States and indeed around the world. In connection with this aggressive sales promotion campaign, the Company was awarded a citation in Washington in 1956 from the Federation of Railway Progress which reads:

in recognition of its extraordinary public relations efforts in connection with inauguration of its streamliner "The Canadian'.

To meet automobile and aircraft competition on other main and secondary main lines, Canadian Pacific in this period pioneered the introduction of fast, lightweight, air-conditioned rail diesel cars and placed in service over fifty of these units on shorter inter-city runs, to replace conventional passenger trains and provide greater comfort, improved scheduling and faster running times. The acquisition of the stainless steel equipment, the rail diesel cars and the diesel power represented an investment in the order of \$60 million. This new equipment was met with an initial enthusiastic response by the general public.

For the next few years, notwithstanding the reduction in demand and service on branch lines, passenger revenues showed a limited but encouraging improvement. However, starting in 1958 there was a resumption of the decline

in passenger revenues, despite the fact that there was no decrease in the intensity of the sales promotion. These changes are illustrated in the following table:

<i>Year</i>	<i>Passenger Revenue (millions)</i>	<i>Index 1954=100</i>
1954	\$36.1	100.0
1955	37.5	103.9
1956	37.8	104.7
1957	38.6	106.9
1958	35.4	98.1
1959	33.2	92.0
1960	30.5	84.5

The major improvements made by Canadian Pacific did not produce the results that were anticipated. Expansion of other modes of transportation continued at an accelerating pace. The following changes were responsible in large measure for the reduction in the effective demand for rail passenger service:

- (i) Since 1957, passenger automobile registrations in Canada increased from 3.4 million to 5 million.
- (ii) During the seven-year period 1957 through 1963, expenditures by governments at all levels on inter-city highways, rural roads and urban streets in Canada totalled more than \$7 billion.
- (iii) In the same seven-year period (1957-1963), some \$650 million was spent on the Trans-Canada Highway alone which, for most of its route, is located just outside the Company's right-of-way fence.
- (iv) In the seven-year period ending March 31, 1964, Department of Transport expenditures for air services and facilities (such as new air terminals, telecommunications and meteorological requirements) totalled close to \$900 million.

By the end of 1964, the number of passenger miles by automobile, by bus and by air between cities in Canada as developed by the Dominion Bureau of Statistics had increased to over 95 percent of the total, leaving less than 5 percent to be shared between the railways.

It now seems apposite to examine the present demand of the Canadian people for passenger transportation and determine how changes in each of the elements listed at the beginning of this presentation, i.e., convenience, comfort, speed and cost to the passenger, were factors in the decline in rail passenger travel.

Convenience

For inter-city travel the convenience of the private automobile, permitting an individual to depart and return at his own inclination, to stop over en route if and when desired, and to use his own vehicle at destination, needs no emphasis. Journeys can be made direct from one's home to destination without additional trips at either end to and from transportation terminals. Because of these advantages, most people are in the habit of using their own automobiles for journeys that in years past they would have made by trains.

The nature of bus operation lends itself to greater frequency of service than rail. This provides passengers with greater choice of departure and arrival times. Furthermore, buses stop to pick up and set off passengers en route, almost at individual convenience. For example, in large cities buses make several stops between the outskirts and the downtown area. Most populated areas are served by scheduled bus operators and rural areas are crisscrossed with bus routes. There are few routes over which rail service provides more direct access than bus service.

The convenience of air travel has advanced enormously due to increased frequency of air schedules, the extension of air service to all important centers and the addition of air service between distant points without intermediate stops. Expanded and improved meteorological services now minimize delays due to weather. Technological development in aircraft has increased public confidence in the safety of air travel and has also reduced delays for mechanical reasons. The spacious parking facilities available at new air terminals, contrasted with restricted space at rail terminals in crowded downtown areas, are an added incentive to travel by air.

Comfort

Technological development in the North American automobile industry has provided high-powered, automatic, luxurious automobiles complete with radios and endless gadgets to make highway travel a pleasure. Roomier seating, observation windows, air-conditioning and in some cases on-board washroom facilities, now provide greater comfort to bus travellers. Automotive engineering, coupled with improved highways, provide a smoother bus ride. In terms of comfort the automobile and the bus compare favourably with other modes of travel.

In the case of the aircraft the earlier problem of noise has been virtually eliminated, on-time performance has been vastly improved and cabin service and comforts are of a higher standard than formerly. Air terminals offer every conceivable comfort and amenity.

Speed

The combination of 200-300 horsepower automobiles and 70-mile-per-hour thruways permits shorter inter-city trips to be made by highway in less time than by rail, particularly if the movement to and from the rail terminals is included in the comparison.

Automotive developments and the new highways have also permitted bus operators to substantially reduce travel time.

The jet aircraft has resulted in a drastic reduction in travelling time for medium and long trips and has won for the air industry most of the long distance passenger business.

Cost to Passenger

The average motorist, when comparing travel costs, ignores his fixed cost, such as capital invested, licence and servicing, and judges the use of his automobile on the basis of the cost of gasoline. While it is obvious that gasoline

is not the only cost incurred by the motorist, nevertheless, it is the major influence in the decision as to whether he will drive his automobile or go by rail.

Historically, bus operating costs per passenger mile have been lower than equivalent costs in rail and air operations, and this advantage continues to be reflected in the bus fare structure.

The enormous development in the capacity of aircraft, has permitted a reduction in cost per seat-mile which in turn has permitted lower air fares. The labour intensity of rail passenger operations—that is, the number of employees engaged, for example, in getting a passenger train across 3,000 miles of continent—is far beyond anything experienced in air travel.

Company's Present Program for Rail Passenger Service

The Company's present programme, which has been in progress for some time, is to withdraw those passenger train services for which the effective demand has disappeared, and whose continued operation would be a misallocation of the transportation resources of Canada. The effective demand for rail passenger service has been different in branch lines territory, secondary main-lines and the main-line of the company.

As indicated, the development and growth of the other modes of transportation have substantially reduced and in certain areas have entirely eliminated the effective demand for rail passenger service. It is to be remembered that effective demand is the demand for a service at prices which meet the cost of providing that service, and it cannot be said that there is any effective demand for a service which passengers are induced to patronize by being given transportation at less than cost. In keeping with the Company's policy to provide services to meet effective demand and to adjust its services in accordance with changes in this demand it has been necessary and, in fact, obligatory upon the Company to withdraw passenger service upon most branch lines.

Likewise upon the secondary main lines of the Company, despite efforts to provide faster and more comfortable service by means of rail diesel cars, the effective demand has steadily declined to the point where we have had to withdraw most of the passenger trains operated on these lines.

These adjustments in branch line and secondary main line operations were effected gradually over a long period through changes in frequency, reductions in service and complete discontinuance.

Because of protests made at times that serious economic and social disabilities would inevitably follow for the communities concerned if passenger train services were decreased or discontinued, the Company has carefully watched the results in large numbers of such communities, and in no instance has it come to its attention that the economic or social development of a community had been impaired by the reductions made in rail passenger services.

Turning to the main line, it must be said that despite the efforts made by the Company to provide a better and more attractive main line passenger service to stimulate the demand, there was a decline in passengers carried, particularly in the late 1950's.

The demand for transcontinental rail passenger service, at the fares then in effect, declined, particularly during the off-season period, with the result that occupancy on "The Dominion" was at only a fraction of its capacity and there was also a decline in carryings on "The Canadian." This reduction in demand made it necessary to reduce "The Dominion" during the off-season from a train operated with a full consist of sleeping, dining and dome car equipment to a transcontinental coach train, supplemented with sleeping and dining car equipment in those areas where there were still prospects of a demand for service. It is important to note that "The Dominion" had been operated much below capacity for several years before the Company made the decision in 1960 to reduce the consist.

In the Summer season each year after 1960 the full consist of "The Dominion" was restored and the train was used to carry numbers of tourists who had been induced to travel this route by intensive solicitation and rates at less than cost. Those who used the train frequently complained regarding the coach and sleeping car equipment, which did not compare with that of "The Canadian" and had become completely outmoded. The cost of replacing this outmoded equipment with modern rail passenger equipment could not be justified.

In the years following the reduction in consist of "The Dominion", the demand for transcontinental rail passenger service has been adequately met by "The Canadian" and use of "The Dominion", with reduced consist has been at a minimum.

Late in 1963, in order to meet competition from other carriers and attract additional patronage, transcontinental passenger fares were sharply reduced with the introduction of the "Faresaver Plan". The lower fares had the immediate effect of increasing the number of passengers using the transcontinental trains, but they did not produce sufficient additional revenues to overcome the increased costs incurred to move the additional traffic, so that there was a deterioration in the net position.

In recent years, it became obvious that a more effective method of handling express traffic would have to be evolved if we were to hold this traffic against the pressures of competitive modes of transportation. The method of peddling small shipments of express from a passenger train, "The Dominion", at local points across Canada, involving as it did unacceptable delays to the movement of larger express shipments to main distribution points such as Winnipeg and Vancouver, was replaced in June 1965 by the handling of express traffic on our new high speed freight trains. This new system provides for the set-off of individual cars and containers at appropriate distribution points across Canada and the subsequent movement of this traffic by road to intermediate points, combining the best features of both methods of transportation. This change was made possible by improvement in fast freight train operation due to such features as C.T.C., improved riding quality of freight cars, train radio and other improvements in communications.

Concurrently, with improvements in the methods of handling express traffic, arrangements were made with the Post Office Department for the movement of mail on fast freight trains.

The heavy wage increases that continued through the 1950's and 1960's greatly affected the Company's passenger train operations, particularly the labour-intensive transcontinental service. This further reduced the ability of

the Company to compete with airlines and buses which have a lower labour content. During that period, airlines were introducing larger aircraft and bus operators were placing in service buses of great capacity.

The worsening net position of "The Dominion", made it imperative to discontinue its operation.

Notwithstanding the withdrawal of passenger trains from branch lines, the reduction in service on secondary main lines and the adjustment of the transcontinental passenger service in relation to the demand for that service, Canadian Pacific in 1965 had a passenger train service deficit of \$23.9 million. Passenger train service revenues and variable costs were as follows:

Revenues	\$40.3 million
Variable Cost	64.2 million
Deficit	<u>\$23.9 million</u>

Passenger train service revenues in 1965 did not even meet the costs of crew wages, fuel, servicing, repairs and depreciation of equipment, operation of sleeping and parlour cars, dining and buffet service and traffic expenses such as sales and ticketing. These costs are those which could be eliminated shortly after the discontinuance of service but represent only a part of variable costs. Not included are the costs of yard switching, station service, maintenance of the roadbed and passenger facilities, clerical and supervisory expenses, all of which are also affected by changes in the volume of service performed.

Because of the impact of increased labour costs and higher material prices which offset most of the savings which would otherwise have been realized as a result of changes in service since 1958, the year studied by the MacPherson Royal Commission on Transportation, there was only a minor improvement in the passenger train service deficit of the Company. This may be seen from the following table:

Passenger Train Service Deficit
(Millions of dollars)

Year	Revenues	Variable Costs	Deficit
1958	63.8	91.4	27.6
1959	59.9	87.6	27.7
1960	54.9	77.7	22.8
1961	46.5	72.5	26.0
1962	46.6	69.7	23.1
1963	44.5	69.2	24.7
1964	44.8	70.8	26.0
1965	40.3	64.2	23.9

It is very important to realize that in the calculation of these deficits no charge has been made against the passenger service for constant cost. Nothing has been charged but the variable costs: that is, the costs that can be saved if the service were withdrawn. It is clear that a service that is bearing no portion of the constant cost of railway operations is a burden on the users of other railway services, or on the railway itself.

There has been criticism in certain quarters of the methods used in railway costing. I must be emphasized most strongly that in the period since the war railway costing has been the subject of prolonged study and development, aided by the great progress made in analytical techniques and in the mechanical production of data. The Company uses the most modern techniques and analytical methods used by any industry with a problem of joint costs.

The Company has had sufficient experience with its Faresaver Plan to conclude that lower fares are not the solution to the rail passenger problem. These lower fares have succeeded in diverting traffic from other media that could handle it profitably, thus undermining the financial stability of both forms of transportation. The experience of the Company has been that people will use passenger train service when the fares are abnormally low but they cannot be attracted at fare levels that will provide for the cost of the service.

At hearings before the Board of Transport Commissioners dealing with the decrease in passenger train services at various points across the country, the suggestion has been made that railways are looked to to provide what may be called standby transportation during periods when aircraft are grounded, highways are blocked or under other spasmodic conditions. Surely there is no justification for incurring the costs involved in the retention and maintenance of expensive equipment simply because it might be required at infrequent intervals for standby service.

The growth of alternative forms of transportation have been recognized by the Board of Transport Commissioners and at each of the hearings related to discontinuance of passenger service, the Board has examined the availability and quality of these alternative services. There is no reason to believe that the Board has not properly assessed the suitability of alternative services in any particular case.

Company's Future Plans for Rail Passenger Service

While the Company's policy regarding future rail passenger operations cannot be inflexible, at this time it is apparent that we will continue to operate "The Canadian" for years to come. There are presently a number of applications for withdrawal of passenger train operations which are before the Board of Transport Commissioners. There are some where hearings have been completed, and in others the board has requested further data. Other passenger services are under study by the Company. Indications are that inter-city service will continue to be provided between Montreal and Ottawa, Montreal and Quebec, and Montreal and Saint John, N.B. It is also apparent that the Montreal-Lakeshore Commuter service will continue to be operated.

In respect of these services there may be changes required to meet changes in effective demand. It is the responsibility of Management to carry out studies and tests before changes are proposed and this will be done.

In the assessment of rail passenger services to be provided in the future, the availability of passenger car equipment and motive power is a factor which must be given consideration in addition to the effective demand for service. In the 1950's, new passenger car equipment and motive power was purchased to meet the then anticipated effective demand. Since that time, as the effective demand for rail passenger service has declined, the Company has scrapped obsolete cars and converted for freight service passenger diesel locomotives no longer required for passenger purposes.

The Company's present inventory of passenger car equipment, apart from rail diesel cars, now consists of stainless steel cars, which will be fully utilized on "The Canadian" and the three inter-city runs mentioned above, and supplemented in these inter-city runs by the remaining Tuscan Red cars still suitable for service. In addition, the Company has in its inventory conventional Tuscan Red units which are now obsolete and no longer receive public acceptance. In the light of present and probable future effective demand for service, there would be no justification for the purchase of expensive new equipment nor for the restoration of the old equipment at a prohibitive cost.

There remains in the Canadian Pacific inventory only 28 diesel locomotives equipped for passenger service. Even if the purchase of diesel units for passenger service could be justified, which, of course, is not the case, it would not be possible to obtain delivery of new units for at least a year. It is abundantly clear the reconversion of freight units to passenger service should not be considered as the demand for freight service is such that currently 50 units are being leased.

Present indications are that wage and material costs will continue to rise and, of course, it will be necessary to adjust fares in the light of these increases with a view to maximizing net results.

It is to be noted that rail passenger fares increased much less in the post war period than the prices of commodities and other services. From 1949 to 1965 the standard rail passenger fare, as authorized by the Board of Transport Commissioners, increased from 4.00¢ to 5.00¢ per mile in the territory Calgary/Edmonton and East, and from 4.50¢ to 5.00¢ per mile west of Calgary/Edmonton. However, because of fares in effect under the Faresaver Plan and certain competitive fares which are substantially below the standard rail passenger fare authorized by the Board, the effective fare, which is measured by the revenue per passenger mile on the basis of the actual passenger revenues received by the Company, in 1965 was only 2.73¢ compared with 2.72¢ in 1949. In contrast, the Consumer Price Index, as published by the Dominion Bureau of Statistics, increased by 39% from 1949 to 1965.

In the broader sense, it is difficult to point to any factor that will arrest the present trends adversely affecting rail passenger travel as we know it today. With the increased use of private automobiles, the convenience of frequency of bus travel and technology in the air industry lowering the cost per seat-mile of air travel, it is impossible to forecast a resurgence of effective demand for rail passenger service. In looking to the future, it is important to note that Air Canada has announced in the newspapers a 28% increase in transcontinental air service which will undoubtedly have a further adverse affect upon the demand for and the viability of transcontinental rail passenger service. The air-bus technique operation now present in Western Canada is meeting with public acceptance and it is apparent that this concept of inter-city movement will increase.

Certain levels of Government are currently showing interest in special passenger transportation problems in areas where there is a very high population density. Consideration appears to be given to the transfer of at least a portion of the mass expenditures formerly made on highway construction for movement into, out of and between some of the closely located and heavily populated city areas to other mass transportation facilities, such as high speed

rail operation of various types. These considerations, are predicated upon an entirely new concept of equipment and right of way incorporating advanced technology with a view to minimizing labour content, and possibly upon a new concept of cost absorption.

For example, last October, the President of the United States signed the Rapid Rail Transportation Bill, which provides for high-speed ground transportation research and development and authorized \$90 million for this work over a period of three years. The program calls for research on materials, aerodynamics, vehicle power and control, and guideways. A test operation between New York and Washington and between New York and Boston is planned. It is estimated that in the area surrounding the route through which the proposed transportation system would operate, which extends over a distance slightly in excess of 450 miles, the present population is approximately 40 millions, or twice the entire population of Canada.

In Japan, a train is operated between Tokyo and Osaka, a distance of 320 miles, at speeds of up to 130 miles per hour. This train has carried over 10 million people in less than six months. It is significant that in Japan over three quarters of the passenger miles are handled by rail, and that 42 million of Japan's 96 million people are concentrated in the area surrounding the Tokyo-Osaka line.

Recently in Canada, there has been speculation in the press as to Government consideration of a proposal to finance a fleet of gas turbine super-trains for operation by Canadian National Railways between Toronto and Montreal, with the Federal Treasury assuming the financial risk involved.

It is obvious that the three passenger transportation systems referred to above are not passenger train operations as we know them today. Further, there is a similarity between these operations in that in each case a government would assume or is undertaking the financial burden. In the United States and in Japan, there are large concentrations of population in the areas involved, whereas in Canada there is no area which has a density of population of the same magnitude and there is no prospect of any developing in the foreseeable future.

Effect of Company's Present Program and Future Plans for Rail Passenger Service.

On Travelling Public

Suggestions have been made that the Company has deliberately downgraded its passenger trains with a view to discouraging passengers from using them and subsequently eliminating the service. This is entirely without foundation. On the contrary, the Company has continued passenger service as long as there was an effective demand, and in many instances, after the effective demand had disappeared. Trains were discontinued only after the travelling public had demonstrated an unmistakable preference for other modes of transportation. In every case a full assessment was made to confirm that the discontinuance of service would not result in significant burden to the general public, and it was ascertained that areas served by those trains had available adequate transportation alternatives.

It is the policy of the Company to continue to provide in the future adequate rail passenger service where there is an effective demand for it. Such a policy cannot possibly have an adverse effect upon the interests of the travelling public or upon Canada as a whole.

On Company Employees

The curtailment of passenger service in the post war period has resulted in reductions in the number of employees engaged in that service. The bulk of these employees work under various agreements which include provisions for seniority protection. Where a position is abolished, the incumbent has the right to exercise his seniority, with the final result that anyone displaced is the most junior employee on the seniority list.

During this period of decline in passenger service there has been an increase in the level of earload freight traffic handled. There has also been a marked increase in other services, such as piggyback and merchandise services. The policy has been to endeavour to find employment within the Company for displaced employees, including those from passenger services.

Furthermore, during the past five years, turnover in the Company's labour force due to retirements, resignations and deaths has averaged approximately 10%. In this period, the Company hired, on the average 5,000 new employees annually. This turnover has been and will continue to be of assistance in the relocation of displaced employees.

On The Canadian People

What has not been generally understood and what must be emphasized in the strongest possible terms is that the passenger train service programme followed by the Company has been in the best interests of the people of Canada and in faithful accord with the Company's obligation under its contract of 1880, which required the Company to:

"... thereafter and forever efficiently maintain, work and run the Canadian Pacific Railway."

It has been suggested that the Company received extensive grants of money and land under the terms of the original contract between the Government and the Company and that because of these grants the Company has an obligation to provide passenger train service even after the effective demand for it has disappeared.

Under this clause of the contract the Company has a contractual obligation to meet the effective demand of the public for transportation service. This clause appears to have been included in the contract because the Company then had a virtual transportation monopoly and there was at the time no other legislation in the statutes which required the Company to meet the effective demand of the public for service. There is nothing in the contract to provide that any particular passenger service must be operated forever. It is the "railway" that is to be forever efficiently maintained, worked and run and the words "railway" and "efficiently" were clearly intended to have a progressive connotation—to change with the times and to be interpreted in the light of existing circumstances. To be efficient the Company must adapt to changing demands of traffic. When traffic relentlessly declines, it must reduce its service,

because if a service must be continued regardless of its patronage, we come to the absurd result that trains must still be run even if there are no passengers at all.

It is appropriate to review here the circumstances which prevailed at the time the agreement was made between the Government of Canada and the Company in regard to the construction of the railway.

One of the basic conditions under which the Province of British Columbia entered Confederation in 1871 was that the Dominion Government should provide a transcontinental railway. The pertinent section of the agreement reads:

The Government of the Dominion undertake to secure the commencement simultaneously, within two years from the date of the union, of the construction of a railway from the Pacific towards the Rocky Mountains, and from such point as may be selected east of the Rocky Mountains, towards the Pacific to connect the seaboard of British Columbia with the railway system of Canada; and further, to secure the completion of such railway within ten years from the date of union.

At that time the following resolution was passed by the House of Commons:

Resolved, that the Railway referred to in the Address to Her Majesty concerning the Union of British Columbia with Canada, adopted by this House on Saturday, the 1st April instant, should be constructed and worked by private enterprise, and not by the Dominion Government; and that the public aid to be given to secure that undertaking should consist of such liberal grants of lands, and such subsidy of resources of the Dominion, as the Parliament of Canada shall hereafter determine.

Pending completion of negotiations with private syndicates, the Dominion Government undertook extensive surveys. In negotiations with a syndicate headed by Sir Hugh Allan, the Government offered to contribute thirty million dollars in cash and fifty million acres of land towards the construction of the railway, but the proposal was abandoned when it was revealed that capitalists identified with the Northern Pacific were backing him. The Conservatives resigned office, to be replaced by a Liberal Government, which (according to Sir Alexander Campbell, speaking in the Senate on February 3, 1881) was prepared, in 1874, to offer \$27,970,000 in cash, \$20,977,500 under a 4% guarantee, and a land subsidy of 55,940,000 acres to private enterprise willing to undertake construction. Eventually, however, Hon. Alexander Mackenzie, the Liberal Premier, decided to proceed with construction as a government enterprise.

Progress was slow, and nothing was done to implement the promise to construct the railway from the Pacific towards the Rocky Mountains, so that when Sir John A. Macdonald returned to power in 1878, he realized that action must be taken to prevent a threatened secession of British Columbia from Confederation. The result was that a contract was let to Andrew Onderdonk for construction in that Province. In 1879, Parliament by resolution appropriated 100,000,000 acres of land, from the proceeds of which it was hoped to finance construction.

Sir John A. Macdonald soon realized that building a railway meant much more than the construction of a roadbed. It involved also heavy expenditures

for equipment and maintenance, and cost much more as a government enterprise than under private auspices. The report of the Royal Commission, which in 1882 investigated this cost, stated:

That the construction...was carried on as a Public Work at a sacrifice of money, time and efficiency. That numbers of persons were employed...who were not efficient...having been selected on party grounds. That large operations were carried on...with much less regard to economy than...in a private undertaking...That the system under which the contracts were let was not calculated to secure the works at the lowest price or the earliest date. . .

Finding the burden of financing construction too great a drain on the Treasury, the Prime Minister went to England, hoping to secure aid either from the Grand Trunk or the British Government. The Grand Trunk directors at that time declared themselves opposed to promoting a transcontinental railway through Canadian territory, and the British Government also declined assistance. The Prime Minister then turned to George Stephen, President of the Bank of Montreal, whom he persuaded to form a syndicate to take over the completion and operation of the Canadian Pacific transcontinental line. The opinion in banking circles at the time was that the syndicate was coming to the rescue of the government. A letter in the Canadian Archives from George Stephen to Sir John A. Macdonald, dated September 27, 1880, describes the proposed contract as one "which my friends and my enemies agree in affecting to think will be the ruin of us all". This contract was executed on October 21, 1880.

The preamble to the Act of February 15, 1881, ratifying the contract, reads as follows:

Whereas by the terms and conditions of the admission of British Columbia into Union with the Dominion of Canada, the Government of the Dominion has assumed the obligation of causing a Railway to be constructed, connecting the seaboard of British Columbia with the Railway system of Canada;

And whereas the Parliament of Canada has repeatedly declared a preference for the construction and operation of such Railway by means of an incorporated Company aided by grants of money and land, rather than by the Government, and certain statutes have been passed to enable that course to be followed, but the enactments therein contained have not been effectual for that purpose;

And whereas certain sections of the said Railway have been constructed by the Government, and others are in course of construction, but the greater portion of the main line thereof has not yet been commenced or placed under contract, and it is necessary for the development of the North-West Territory and for the preservation of the good faith of the Government in the performance of its obligations, that immediate steps should be taken to complete and operate the whole of the said Railway;...

The terms agreed upon were that the company undertake to complete the transcontinental railway by May 1, 1891, and to "thereafter and forever efficiently maintain, work and run the Canadian Pacific Railway". The consider-

ation stated in the contract was that the government agreed to grant to the company \$25,000,000 in cash, 25,000,000 acres of Crown Lands, and the lines already constructed or under contract totalling 713 miles, together with certain customs and tax concessions, and the agreement went on to specify the exact purpose of these grants, which was that:

...the construction of the Canadian Pacific Railway shall be completed and the same shall be equipped, maintained and operated..."

During construction, almost insurmountable obstacles were encountered and at times it appeared that the venture could not succeed. Some of the Directors were compelled to give their personal guarantees for large amounts to save the enterprise from collapse. It was such determination that pushed the railway to completion five years ahead of the contract date.

Many people ignore the fact that the government merely transferred the title to land of little immediate worth to gain important public ends. Some have endeavoured to estimate the value of the land to the Company on the basis of the gross selling prices established years later. This is manifestly improper. For example, the Company relinquished to the Government in 1886 6,793,014 acres of the main line grant of 25,000,000 acres, in part payment of a loan made by the Government to aid construction of the railway. The value per acre agreed upon at that time, five years after the grant and a year after completion of the railway, was \$1.50. The Company actually gave the land its commercial value, a value which was also imparted to all other lands tributary to its lines. From the outset, it has followed the broad policy of developing western Canada as quickly as possible. The Company's expenditures for colonization, land settlement, irrigation, and other similar works have been very large, and the country has received great benefits from the sound settlement and development policies pursued by the Company.

When the Canadian Pacific Railway Company was incorporated, Canada was little more than a geographical expression and the population west of the Great Lakes did not exceed 170,000. With the completion of the Company's main line, the country became a nation.

In his book "*The History of the Canadian Pacific Railway*", (Toronto 1923) Professor Harold A. Innis said:

The fulfilment of the contract in the completion of the main line of the road was a significant landmark in the spread of civilization throughout Canada. (Page 128).

The *Duff Commission Report* of 1932 stated:

As a result, the Canadian Pacific Railway Company, the largest taxpayer in Canada, has been subjected to the competition of publicly-owned and operated railway lines, supported by the financial resources of the country. They had honourably discharged their original contractual obligations with Parliament, and the company's lines had played a great part in binding together the western and eastern provinces of the Dominion. By common consent, the company's administrators had brought faith, courage and invincible energy to the task of building its lines through the undeveloped west. The company's achievement commanded the admiration of both railway operators and the public, and

has been a material factor in causing Canada to be favourably known upon three continents. Their operations brought profit to shareholders, and the enterprise became a national asset of acknowledged value and importance to the Dominion. (Page 12)

Professor James B. Holmes, Professor of American History, Brown University, in his book entitled *"Building the Canadian West"* (New York 1939), in discussing the measure of the Company's contribution to the building of the Canadian West said:

There remains the question as to whether the land subsidy to the Canadian Pacific was justified on grounds of national interest. It was one of the principal means of bringing to the task of railway building a group of men who completed in 5 years the railway about which the country had talked for 10. It was the means also of making the railway company an agency of land settlement second in importance only to the government itself. In 1881 the *Liberal Manitoba Free Press*, never an apologist for the Canadian Pacific, remarked that the vigorous encouragement of immigration and land settlement in the West weighed far more heavily than the number of dollars and acres given for the construction of the railway. A few thousand settlers more or less each year, it said, would have a greater effect upon the future of the Northwest than 'the granting of a few million dollars or acres more or less to a syndicate'. To the *Free Press*, the speedy settlement of the West would justify the land subsidy. Judged by that test, the Canadian Pacific certainly was not found wanting. (Page 409)

Over the years the Company has met and is continuing to meet its obligations to the people of Canada. In this country as perhaps in few other countries in the world the existence of a sound transportation service is vital to the economy of the country and it is suggested that no other country has had its demands for rail transportation supplied more efficiently than has Canada by Canadian Pacific.

The Company is conscious of its responsibilities to the people of Canada as a transportation company and also as a Canadian corporation.

As a transportation company Canadian Pacific has a responsibility to provide transportation service to meet the effective demand of the public. In carrying out this responsibility, Canadian Pacific is subject to the jurisdiction of the Board of Transport Commissioners for Canada.

The Board of Transport Commissioners for Canada

The Board of Transport Commissioners for Canada is a regulatory body set up by Parliament and composed of carefully chosen and highly competent members. It has a staff of experts in the various transportation fields of economics, accounting, operating, traffic, engineering, and law. Furthermore, it can call upon the technical staff of the Department of Transport for assistance if required.

One of its primary responsibilities is to safeguard the interests of the public of Canada against any possible abuse by railway companies, and the railways can vouch for the fact that the Board carries out this duty to the ultimate

degree. In fact, the Board is frequently under criticism by the railways for carrying too far its invariable practice of deciding every doubt to the fullest extent against the railways and in favour of the public and the shippers.

While the Board has held against the company in many cases, Canadian Pacific is bound to acknowledge that the Board is a most capable body in matters pertaining to transportation, particularly as they affect the interests of the Canadian people, and that the public is well served by such a Board. The case of "The Dominion" is only one example of the thorough and objective investigation carried out by the Board whenever any question or complaint is referred to it. Not only was every interested party given the fullest opportunity to present his evidence, views and arguments, but in addition to what was heard in the courtroom, the Board also demanded and received quantities of information and statistics from various quarters, including the railway. Moreover, its economists and accountants visited the head office of the company and made a thorough examination and analysis of the company's books and working papers.

The criteria upon which the Board of Transport Commissioners arrives at a decision as to whether or not a passenger train should continue to be operated are clearly set out on Pages 81 and 82 of its judgment in "The Dominion" case dated January 7, 1966, which reads as follows:

The Railway Act does not lay down any policy or principle that the Board should or must follow in determining what passenger trains shall run. The policy of the Board, uniformly applied throughout Canada, has been to judge as best it can the need of the public for train services and decide whether loss and inconvenience to the public consequent upon discontinuance of train service is outweighed by the burden that continued operation of the service would impose upon the railway to such an extent as to justify discontinuance of the service. The point at which discontinuance shall be considered justifiable is a matter of sound judgment. The situation in each case calls for a decision by railway management in the first instance, but the management decision may be reviewed by the Board upon application or complaint or of its own motion. In arriving at its decision the Board takes into consideration all relevant factors, including the population and economics of the area concerned, the need of the public for train service and the kind of service given, the volume of patronage by the public and the prospects for patronage in future, alternative transportation services, revenues and expenses of the service, and the burden to the railway company of continuance of service and the effect on it of discontinuance.

In a transcontinental train case such as this, it is impossible to put a dollar amount on what loss and inconvenience will result to the public from the discontinuance of the train. The public in such case is obviously much wider than where the service is confined to local areas. Even in the case of local trains it is difficult to evaluate that loss and inconvenience in money. A decision as to whether the service is required in the public interest or by public convenience and necessity is predominantly the formulation of an opinion involving the consideration of facts and the weighing of economic, financial, social, operational and other data, and a look into the future. I use the word "necessity" in a liberal sense, not in

an absolute sense. The public interest and the need of the public for "The Dominion" must be viewed here in broad perspective. There should be considered not only the need of those who find it convenient or necessary to travel by that train, but also the effect of the operation of the train on the Company.

The Board's assessment of all the relevant factors is clearly set out in the two judgments rendered by it, which indicate how completely the problem had been studied in all its aspects and how objectively the decision had been reached. It is the view of Canadian Pacific that conclusions reached in this way, whether they be for or against the stand taken by the railway company, are deserving of attention and respect. To attack the impartiality of the Board, as has been done by some because they have not made their point or that a finding of the Board made after detailed study in a judicial way is against a particular interest, is not acting in the best interests of the people of Canada and deserves serious criticism.

To properly discharge its responsibilities as a transportation company, it is necessary that the Company adjust the various elements of its operations to meet effective demand in various areas of the country when and where the changes in demand become evident. An area where there was a significant change in demand is rail passenger service.

The MacPherson Royal Commission on Transportation

The problem arising from this particular change in demand, a major contributing factor to the transportation problems in Canada, received careful study by the MacPherson Royal Commission on Transportation. The Parliament of Canada appointed this Royal Commission to "inquire into and report upon the problems relating to railway transportation in Canada and the causes thereof." The members of the Commission represented a cross section of Canada. Its Chairman was a specialist in transportation and a distinguished lawyer from Saskatchewan; its other members were an economist and a farm leader from Alberta, a leader of the financial community from British Columbia, a forester and economist from Quebec, a labour leader from Ontario and the then Executive Manager of the Maritimes Transportation Commission.

Evidence was presented to the Commission by witnesses for the Western Provinces concerning rail passenger service. The Honourable Duff Roblin, Premier of Manitoba, expressed his views in response to the following question put to him by Counsel for that province.

Mr. A. V. Mauro:

Mr. Premier, you have enumerated those obligations and limitations which the Province of Manitoba contends have resulted in a burden to the freight shipper. Has the Province of Manitoba any comment as to what can or should be done to ensure a more equitable distribution of that burden?

The Premier:

We have a number of suggestions, based on each one of those major points, and the first is in connection with passenger and related services.

As to passenger services, in this context we wish to distinguish between trunk line operations and branch line operations. We are not in

a position here to define the distinguishing characteristics but we are satisfied that the two types of operations in fact can be distinguished. With regard to the trunk line passenger services, the ideal situation would be one wherein the railway passenger service would yield sufficient revenue to meet the fully distributed costs of providing that service but since the ideal is apparently not attainable, we submit as follows:

Firstly: That the railways should continue to achieve efficiencies by the elimination of duplicate services and by whatever other means are available to them.

Secondly: As to the actual net losses resulting from trunk line passenger and related services if such services are deemed to be in the national interest, then these losses should be met from the federal treasury. These losses for all future purposes, and in particular for the purpose of setting freight rates, should be removed from the accounts of the railways. The "national interest" can be determined by the Board of Transport Commissioners." (Vol. 29, Page 4251-2)

Dr. Hu Harries, Dean of the Department of Commerce, University of Alberta, and long-time expert witness for the Province of Alberta, before public enquiries into transportation matters, in giving evidence for that Province before the Commission said:

I see no requirement in the world that the Canadian National and the Canadian Pacific run trains from here to Vancouver for the convenience of a few people who are not prepared to pay what the service is worth. If that is the case, if the service is not paying for itself then let us do away with the service. (Vol. 97, Page 16580)

Dr. Ernest W. Williams, Jr., Professor at Columbia University, author of books and articles on Transportation Economics, who appeared before the Commission for the Provinces of Manitoba and Alberta, said:

There is room for question whether rail passenger services have any persuasive economic reasons for continued existence except in mass commuter and high-density short-haul movements of which the examples in Canada appear to be limited. (Vol. 101, Page 16976)

Dr. W. Hughes, Chairman of the Transportation Department, Faculty of Commerce, University of British Columbia, who appeared before the Commission on behalf of the Province of British Columbia, made the following remarks in his direct evidence when outlining Policy Recommendations for Passenger Deficits:

There will always be strong objection to abandonment by an interested minority. Yet it is clear, by reason of the fact that the service is not compensatory, that the majority of the customers have already shifted their patronage to competitive media. The reluctance of the potential customers to remunerate the providers of the service is indicative that it is no longer required. (Vol. 41, Page 6937)

This Commission arrived at some very significant conclusions in respect of rail passenger service. In view of the status of this body of inquiry and as its

conclusions underlie the program of change in Canadian Pacific's passenger operations, it is appropriate that its findings should be carefully noted. At page 44, Vol. I, of its Report the Commission stated:

Passenger services are clearly one aspect of rail operation which is uneconomical, taken as a whole. As in the case of branch line abandonment, public resistance to changes in passenger services has been widespread and vociferous. The railways are accused of deserting communities by withdrawing passenger-train service, when a more objective view would be that the communities have deserted passenger-train service. The reasons are not difficult to find. The same conditions which promoted the spread of truck competition for freight traffic have promoted alternative methods of transporting people over short and medium distances. A situation analogous to the loss of the 'feeder' and erosion of 'main-line' functions has occurred. People, having the private passenger automobile available, do not simply use it to convey themselves to the nearest railway station. Because of flexibility and convenience they use the car to complete journeys of short and medium length. The careful economic planning which accompanies a decision to ship goods is also utilized, although to a much lesser degree, in private transportation. The average car owner, having accepted the burden of his capital investment, realizes that it costs him very little more to make fairly full use of his automobile. The same flexibility and convenience which is found in trucks for 'feeder-line' functions attends the passenger car. And, as highways improve, the distance increases over which people decide to use their own automobiles for the 'main-line' journey instead of railway passenger services.

The growth of good highways has also brought into existence a commercial competitor to the railways for passenger service. Passenger bus operators with cost patterns comparable to trucks, and something of the same flexibility, can offer more frequent passenger service in light density areas. In addition, the cost patterns of bus operation have enabled bus fares to be highly competitive with rail fares over considerable distances. A further technological development, air travel, has proven so attractive in terms of speed and price that it has more than tripled in the past decade. The net effect is that except in specific instances where a combination of distance, speed and convenience gives an advantage to the railways, the bulk of intercity movement of people takes place by other modes than rail.

And at page 46 the Commission stated:

It is impossible to view the railway problem apart from railway operations in their entirety and we find that there is little social justification and less economic, for the permanent provision of railway passenger services as we know them today. The public, by and large, has already indicated its preference for other modes of travel, and except in a few instances where no alternate form of overland travel exists, we look forward to the time when the railways will be supplying passenger services only in those areas where they find economic justification for them.

It is significant that the Commission commented:

The railways are accused of deserting communities by withdrawing passenger train service, when a more objective view would be that the communities have deserted passenger train service. (Vol. I, Page 44)

This is brought to your attention not as a complaint against the general public but to stress to you the need for the change in passenger train operations commensurate with the change in effective demand for that service due to the public having indicated its preference for other modes of travel.

It is now almost seven years since attention was drawn to the seriousness of railway transportation problems in Canada. During this seven year period, the problems have only become more serious. Therefore, it is important to recognize that speed is of the essence in applying corrective measures. In its studies, the Royal Commission gave careful consideration to the method and timing of the solutions which it proposed, and concluded that the interests of the Canadian people would be adversely affected if prompt action was not taken to implement the solutions. It is obvious that delay can only compound the difficulties.

While the findings of this Royal Commission have not yet become law, they have been the basis for legislation submitted to the House of Commons by the past two Governments. If the findings of this Commission, of which the passenger proposals are a major part, are not to be utilized in framing for Canadians a future transportation policy, the problems will remain as there is no sound and rational alternative.

The Economic Council of Canada

Canadian Pacific also has a responsibility to the people of Canada as a Canadian corporation. This responsibility is to make the most efficient and economic use of the labour and capital resources of the country. It is only by making a judicious use of resources that the Company is able to increase its productivity and provide transportation at the lowest possible cost. Increases in productivity are essential to offset higher wage rates and benefits and material prices, and thus remain competitive in the industry.

The need for increased productivity and efficiency was given considerable emphasis by the Economic Council of Canada in its First Annual Review. It stated that:

High rates of productivity growth must be achieved if the goal of sustained high employment is to be reached and maintained . . . Improvements in productivity provide the essential means for general advances in average living standards, they are also an important factor determining the competitive positions of industries, and hence have a vital bearing both on levels of prices and costs and on the balance of payments position of a country. (Page 186)

In referring to this feature of the Council's report, Dr. J. J. Deutsch, Chairman of the Council, in an address to the first Annual Meeting of the Canadian Transportation Research Forum in September 1965, made the following observations:

Developments in the transportation industry will have to make their contribution to this improvement in productivity. The economic goals

agreed upon in the Council's First Annual Review has serious implications for, and places large demands on, the transportation industry itself. For if we are to realize our potential rate of economic activity, then we must ensure the best possible allocation of our resources, including our transportation resources. Because transportation costs enter in such large measure into the final costs of Canadian products, anything less than an optimal utilization of transportation resources will adversely affect the competitiveness of the economy. It is thus necessary that each mode of transportation fill as far as possible, that role for which it is best qualified. Failure to achieve this objective will not only result in a misallocation of transportation resources, but can lead to a misallocation of resources elsewhere in the economy.

In dealing with the estimates of his department in the House of Commons on February 15, 1966, the Minister of Transport emphasized the importance of the role of transportation in this country and discussed the need for efficient transportation, in the following terms:

Now, I imagine there are no 20 million people belonging to the same society anywhere in the world who pay so much for their transportation, whose transportation enters to such a great degree into the cost of living, as is the case in this country. The second point I should like to make is this: There is no other country with 20 million people in it in the whole world that depends so much for its standard of living on exporting a large proportion of its products to the rest of the world and, in so many cases, to competitive markets. Now, these two facts mean that if the producers in Canada are to get reasonable returns for what they produce, and what is sold in the export market, the cost of transporting the goods must not be too great. That is a basic fact about transport in this country. It may be that there are some areas, where the production is entirely for the local market or exclusively for consumption in Canada, in which this element is not so great; but it does affect all of us.

I also agreed with another thing said today by the Leader of the Opposition. . . . He was indicating that we have to have modern transportation in this country. That also means that, unless we are going to pay an exaggerated cost for our transportation in this country, when services become redundant they must be discontinued—however nice they were 25 or 50 years ago. If we are going to maintain a high standard of living and an opportunity for decent leisure for the old as well, then we have to be efficient. We have to be prepared to scrap out of date services and services that have ceased to be used to any marked degree. This is a fact of life that we have to face.

I know of only two ways, Mr. Chairman, in which we Canadians can pay for our transportation; and I think we have to pay for it one way and for part of it another way, if we are to have a sane and viable policy. It seems to me that transportation can be paid for either by the users or by the taxpayers. I not know of any third way. It might just be possible for a very short while to do what some hon. members seem to have suggested—make the C.P.R. provide transportation at a great deal less than cost and pour the profits of its other enterprises into transportation to meet the losses. But I question whether that would last for very long. I

have very grave doubts about what its effect would be on the whole of the Canadian economy, and no serious person who has studied this question has ever suggested that it should be done in this way. In any event, no matter how it is done, the amount of our manpower, our resources, our capital, our knowhow that we devote to transportation is going to have to come out of the sum total of what we produce. If the amount we expend on transportation is too high in relation to the rest of the expenditures of the country, we are going to be, not richer, but poorer. It seems to me that that is self-evident. (Page 1284)

Perpetuation of passenger services which are no longer patronized or the diversion of traffic from other viable media by the introduction of abnormally low fares to increase patronage can only result in further increases of the rail passenger deficit inevitably borne by the general public. This is most certainly a misallocation of transportation resources for which there is no justification and it results in a disservice to the interests of the Canadian people. The Canadian people should not be expected to pay for passenger services for which there is no longer a need and Canadians have a right to look to a company such as Canadian Pacific for protection against misallocation of their resources. If Canadian Pacific had followed any other course of action than that which it followed in adjusting its passenger rail service to the demand, it would have been derelict in its duties and responsibilities to the people of Canada as a Canadian corporation.

Action taken by Canadian Pacific in respect of passenger train service has been examined and confirmed by the decisions of the Board of Transport Commissioners for Canada and is consistent with the principles enunciated by the MacPherson Royal Commission on Transportation and the Economic Council of Canada. It is significant that each of these bodies has had as its prime function the protection of the interests of all Canadians.

Is it a fact that not only the Company, but the Board of Transport Commissioners, the Royal Commission on Transportation and the Economic Council of Canada, as well as others with specialized experience who have expressed similar views, have all erred in their assessment of what is best for Canada in the field of transportation?

NOV 22 1965

OFFICIAL REPORT OF MINUTES
OF
PROCEEDINGS AND EVIDENCE

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LÉON-J. RAYMOND,
The Clerk of the House.

HOUSE OF COMMONS
First Session—Twenty-seventh Parliament
1966

STANDING COMMITTEE

ON

TRANSPORT AND COMMUNICATIONS

Chairman: Mr. JOSEPH MACALUSO

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 2

THURSDAY, MARCH 3, 1966

(Afternoon and evening sittings)

Respecting

The subject matter of the adequacy of the present program and future plans for passenger service on the lines of the Canadian Pacific Railway.

WITNESSES

From the Canadian Pacific Railway: Messrs. N. R. Crump, Chairman and Chief Executive Officer, I. D. Sinclair, Vice-President and Member of the Board and Member of the Executive Committee.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1966

STANDING COMMITTEE ON TRANSPORT AND COMMUNICATIONS

Chairman: Mr. Joseph Macaluso

Vice-Chairman: Mr. Gustave Blouin

and Messrs.

Andras,
Bell (Saint John-Albert),
Byrne,
Cantelon,
Carter,
Deachman,
²Duquet,
Fawcett,
Honey,
Horner (Acadia),
Lessard,
McIntosh,

Olson,
Orlikow,
Ormiston,
Pascoe,
Rapp,
¹Reid,
Rideout (Mrs.),
Rock,
Sherman,
Southam,
Tolmie—(25).

(Quorum 13)

MAXIME GUITARD,
Clerk of the Committee.

¹ Mr. Mitchell replaced Mr. Reid, on March 3, 1966.

² Mr. Allmand replaced Mr. Duquet on March 3, 1966.

ORDER OF REFERENCE

THURSDAY, March 3, 1966.

Ordered,—That the names of Messrs. Allmand and Mitchell be substituted for those of Messrs. Duquet and Reid on the Standing Committee on Transport and Communications.

Attest.

LÉON-J. RAYMOND
The Clerk of the House.

MINUTES OF PROCEEDINGS

THURSDAY, March 3, 1966.

(3)

The Standing Committee on Transport and Communications reconvened at 3:35 o'clock this afternoon. The Chairman, Mr. Macaluso, presided.

Members present: Mrs. Rideout, and Messrs. Allmand, Andras, Bell (Saint John-Albert), Blouin, Byrne, Cantelon, Carter, Fawcett, Honey, Horner (Acadia), Lessard, Macaluso, McIntosh, Mitchell, Olson, Orlikow, Ormiston, Pascoe, Rapp, Rock, Sherman, Southam, Tolmie.—(24)

Also present: Messrs. Beer, Chatterton, Enns, Fairweather, Hales, Knowles, Muir (Lisgar), Nasserden, Richard, Watson (Assiniboia).—(10)

In attendance: From the *Canadian Pacific Railway*: Messrs. N. R. Crump, Chairman and Chief Executive Officer and I. D. Sinclair, Vice-President and Member of the Board and Member of the Executive Committee.

The Committee resumed its consideration of the subject matter of the adequacy of the present program and future plans for passenger service on the lines of the Canadian Pacific Railway.

On motion of Mr. Rock, seconded by Mr. Southam,

Resolved unanimously: That the Committee adjourn at 6:00 o'clock and reconvene at 8:00 o'clock to sit until 10:00 o'clock this evening.

The committee pursued its examination of the witnesses.

At 6:00 o'clock p.m., the Committee adjourned until 8:00 o'clock this evening.

EVENING SITTING

(4)

The Standing Committee on Transport and Communications reassembled at 8:05 o'clock this evening. The Chairman, Mr. Macaluso, presiding.

Members present: Mrs. Rideout, and Messrs. Allmand, Andras, Bell (Saint John-Albert), Blouin, Byrne, Cantelon, Carter, Fawcett, Honey, Horner (Acadia), Lessard, Macaluso, McIntosh, Mitchell, Olson, Orlikow, Ormiston, Pascoe, Rapp, Rock, Sherman, Southam, Tolmie.—(24)

Also present: Messrs. Gray, Knowles, Matte, McNulty, Richard.—(5)

In attendance: Same as at this morning's and this afternoon's sittings.

The Committee resumed its examination of the witnesses from the Canadian Pacific Railway.

Thereupon, on motion of Mr. Rock, seconded by Mr. McIntosh,

Resolved unanimously: That the summary of the Brief, presented to this committee by the Canadian Pacific Railway, be printed as an appendix to this day's Minutes of Proceedings and Evidence. (See Appendix B).

On motion of Mr. Orlikow, seconded by Mr. Horner (Acadia),

Resolved on division: That the Committee sit from 1:00 o'clock to 4:00 o'clock p.m. on Friday, March 4, 1966.

In accordance with a motion passed and agreed to unanimously, at this afternoon's sitting, the Committee adjourned at 10:00 o'clock p.m. until 1:00 o'clock p.m. on Friday, March 4, 1966.

MAXIME GUITARD,
Clerk of the Committee.

EVIDENCE

AFTERNOON SITTING

THURSDAY March 3, 1966.

● (3: 40 p.m.)

The CHAIRMAN: Mr. Sinclair.

Mr. SINCLAIR: Thank you, Mr. Chairman. If it pleases the Chairman and members of the Committee, the first point that was raised by Mr. McIntosh that I might deal with had to do with the need for diesel locomotives. We said on page 18 of the main brief, and that is paragraph 30 of the summary, that the reconversion of freight units to passenger service should not be considered if the demand for freight service is such that 50 units are being leased at the present time. I mentioned this morning that 42 of these were road units, 10 of which we have to return this month and others we will have to return next month.

The matter was also dealt with in the judgment of the Board of Transport Commissioners, which I think Mr. McIntosh had in mind, and that is the judgment of the Board dated January 7, in the official copy issued by the Board which I have, page 6. At the bottom of the page, the Chief Commissioner speaking on behalf of the Board said "I am satisfied that the release of the motive power now in use in the Dominion can make a useful contribution to that other traffic. The advantages of that contribution support the case for discontinuance of the train".

That was after he had made reference to the motion made by Canadian Pacific at the beginning of the hearing that the Dominion come off immediately, and the hearings proceed.

Mr. MCINTOSH: I wonder, Mr. Sinclair, if while you are dealing with these additional units, you would comment on the brief that was presented by the City of Brandon to the Commission.

Mr. SINCLAIR: Mr. McIntosh, I have not got that before me. This is what I am trying to deal with at this time. I am also trying to deal with this matter of grain because this is one of the matters that you raised. I think this has been a question that has been causing some substantial interest. The transportation document of the Wheat Board, which was issued in December, makes that part of the movement of grain for each railway in the period.

Mr. HORNER: Mr. Chairman, on a point of order. I would love to get into a discussion with Mr. Sinclair on the question of moving grain in the Wheat Board target. If Mr. Sinclair is prepared to make a statement on this subject we can certainly answer him, and I just point out to you, Mr. Chairman, that you are treading on some pretty dangerous ground here, and if it is all right with you, it certainly is all right with me.

The CHAIRMAN: I think your point is well taken, Mr. Horner, I was going to make a ruling on that, as a matter of fact, as I did this morning when Mr. McIntosh brought it up. I did not make a ruling but I brought it to the attention

of the Committee that our terms of reference—and I will read them—state “that the subject matter of the adequacy of the present program and future plans for passenger service on the lines of the Canadian Pacific Railway to meet the effective demand of the public for such service, and the effect of such program and plans be referred to the Standing Committee on Transport and Communications for their consideration and report”.

I agree with you, Mr. Horner. I think we should stay off grain shipment. Our terms of reference, Mr. Sinclair, are strictly on passenger service.

Mr. OLSON: Mr. Chairman, on a point of order, if the Vice-President of the C.P.R. is trying to argue that there is justification for curtailing passenger service to supply more equipment for the movement of freight service, then I think this is a valid argument. This also, Mr. Chairman, was in fact, a substantial part of the argument that the C.P.R. advanced in the Board of Transport Commissioners hearings. I agree with Mr. Horner that if this is going to be a substantial part of the argument that the C.P.R. intends to advance for the deterioration or the withdrawal of passenger service, then you are opening up a pretty vast field that we as members of this Committee, would perhaps like to pursue; in other words, I am pretty sure we wouldn't just like to accept your opinion without delving pretty deeply into this matter.

The CHAIRMAN: Mr. Olson, I am of this opinion. I am bound, and I think the Committee is bound, by the terms of reference that we have. I can agree that there is an inter-relation, as I said this morning, but I do feel that we cannot set a principle here of extending into grain shipments and freight rates without going into Royal York hotel deals and everything else. As far as the Chair is concerned, I feel that the witnesses and this Committee must confine themselves—I am not trying to put a strict confinement on this—let us understand this—but to confine themselves to the terms of reference dealing with passenger service and as Mr. Horner says, not going into grain quotas of the Wheat Board or why wheat is not being shipped to the West Coast. I think we have to confine ourselves to that. I will allow as much leeway as possible, but at the same time, I feel I do have the responsibility, as Mr. Horner points out, to keep it within the terms of this reference.

Mr. HORNER: I am prepared to throw it wide open, but I just want you to decide which it shall be. If one side is going to blame passenger service losses, or the need to discontinue on the grain movement, then we have a right to question grain movement. I am agreeable to having it wide open, if you like.

The CHAIRMAN: Unless there is some further discussion of this question, I am going to—

Mr. ORLIKOW: Mr. Chairman, it is quite all right with me if you can keep the discussion within a fairly narrow limit; but I think that this limitation should extend not only to members of the Committee but also to the testimony. Mr. Sinclair apparently had some remarks to make about some reference to the Board of Transport Commissioners. I presume that he was referring to some things I said in the House, because I think I was the only one who discussed that. If Mr. Sinclair has some references like that, that is okay, but I certainly intend to explore that whole question with him, at the appropriate time.

The CHAIRMAN: Your point is well taken, Mr. Orlikow. I mentioned earlier to Mr. Crump that I intended to keep this within the limits of the terms

of reference in passenger service, and we do not want to open up any Pandora's box here. Mr. Pascoe, did you have something on this?

Mr. PASCOE: Just one point, Mr. Chairman, and to pare it down a point that I want to bring out a little later. This is a telegram I had from Mr. Spencer, of the Commission Council of the CPR last August.

The CHAIRMAN: Mr. Pascoe, I hate to cut you off but has it got to do with what we are discussing now on the point of order?

Mr. PASCOE: It is all on the same line.

The CHAIRMAN: If it does not deal with this you will have to bring it up later on.

Mr. PASCOE: Passenger service. They point out the need of the diesels for freight, but it says here, "To avoid serious inconvenience to the public, additional accommodation and services are being provided on the train *The Canadian*". That is the point I want to make.

The CHAIRMAN: I think, the point was well taken by Mr. Horner, and I do not intend to restrict it to the members of the Committee. This applies to the witnesses also. We must remain within our terms of reference.

● (3: 50 p.m.)

Mr. BYRNE: I think that it is accepted by the members of the Committee that the question of the timing of the dropping *The Dominion* did more or less tie in with this heavy pressure of freight requirement. Of course, this would not be an argument going on into next August. I think, personally, it is only incidental to the timing of taking off the *Dominion* at this time and it could not be used forever as the reason, because we have special wheat shipments at this time. There is no question about it, it is in the brief.

Mr. TOLMIE: Mr. Chairman, in defence of Mr. Sinclair, I believe that if he is going to present his argument properly, clearly, that occasionally he may have to mention freight, occasionally he may have to mention wheat shipments. Now, I think he is sensible enough to know that the relevant subject before us is rail transportation, I think he will keep within bounds.

The CHAIRMAN: I do not intend to restrict each member of the Committee to just passenger lines. I will allow some leaway, but I do not want to go into this dangerous field, as was pointed out, and I think properly so, by Mr. Horner, going into the whole question of freight and grain shipments.

Mr. MCINTOSH: In justification of what I said this morning, I don't think I did, and it certainly was not my intention, to refer to anything that was not in their brief, or in the judgment laid down by the Board of Transport Commissioners. That can be found on page 6 of the Commissioner's report.

The CHAIRMAN: I understand it is in the brief: there is no doubt about that.

Mr. OLSON: I would just like to draw to your attention Mr. Chairman, on this point of order, that when the C.P.R. argued this case before the Board of Transport Commissioners they found it important enough, this matter of grain movement, that they moved a supplementary or a secondary motion at the first meeting of the Board of Transport Commissioners hearings in Winnipeg, asking the Board of Transport Commissioners to rescind the order, and I can give you the number of it, but it was dated about September 1, and to suspend the hearing. In addition to that, in the judgment that was handed down by the

Board of Transport Commissioners, they made extensive reference to the fact that there would be some improvement in the grain movement and general hauling of freight if they allowed the C.P.R. to withdraw the Dominion service.

Then in the terms of reference, it not only refers to passenger service but it also refers to the effect of such programs and plans, etc. respecting passenger service in the public interest, if you want to read that into it, and I think it is there.

The CHAIRMAN: You are reading something into it that is not there, Mr. Olson.

Mr. OLSON: I am just showing that all of these things have transpired respecting hearings, and so on, that were set up specifically for passenger service.

The CHAIRMAN: If the Committee will allow, I think that the point that Mr. Horner brought up--and it was brought up by myself early this morning--is a good one and I would just ask all members and the witnesses too to confine themselves as much as possible to the passenger rail travel. As I say, I do not intend to restrict you that much, but I do not intend to get into the whole question of grain shipment and quotas. I want that to be known to the members of this Committee because I think, you will agree with me, that we will be opening up into a field in which we do not have any terms of reference.

We have the added problem that I want to put before the Committee as far as the judgment is concerned, this judgment is now on appeal to the Government. It is my opinion that we can look into that judgment and the reason why it was brought down. I am not talking about the subject matter of the judgment, Mr. Olson, as to why it was brought down. This is just a matter that I feel we have to play by ear at the present time.

Right now I think that the point of order that was brought forward by Mr. Horner was well taken and we can proceed in that way if it meets with the approval of the Committee.

Mr. ORLIKOW: This is precisely why this Committee is meeting. It seems to me, although it has not been said, that the Cabinet is not, unfortunately, going to make any decision on the appeal which has been made to it to rescind the order of the Board of Transport Commissioners until this Committee has held its sittings.

The CHAIRMAN: That is not my understanding, Mr. Orlikow. They can still bring down with a decision even while we are sitting. We do not know.

Mr. ORLIKOW: My impression is that they are waiting for us and these hearings, and I think we should get on with it.

The CHAIRMAN: That is not the impression I am under, Mr. Orlikow. I agree with you; I hope that they come down with a decision shortly but, at the present time, we are not bound by whether they come down with a decision right now or not.

Mr. OLSON: If you are troubled, Mr. Chairman, about whether or not we can get into the judgments that were handed down by the Board of Transport Commissioners, I would just like to remind you that this raises the whole question of the propriety of this Committee meeting while this judgment is in appeal.

The CHAIRMAN: I think we should proceed as we are proceeding, Mr. Olson. I caution all members and the witnesses as to the latitude that could be involved here. I have no intention, at this time, anyway, to get too far afield.

Mr. SINCLAIR: As I understood another point raised by Mr. McIntosh, according to the notes I have here, he referred to the transfer of fixed costs, and he gave reference to road maintenance and depreciation. He wanted to know how much of those fixed costs, as he put it, were in the \$23.9 millions of passenger deficit referred to by Mr. Crump and in the brief.

Mr. MCINTOSH: It referred to head office.

Mr. SINCLAIR: Head office.

First, depreciation and road maintenance, Mr. McIntosh, Mr. Chairman, and members of the Committee, are not fixed costs, they are variable costs and Head Office expenses depend on the category that you are in. Certain clerical and other expenses are variable, others are constant, insofar as they are constant or fixed; that is, they do not change in response to changes in volume. They are not in the figures that we gave, but road maintenance and depreciation, which are variable and are not fixed costs, are in.

The next thing that was raised, Mr. Chairman, was that Mr. McIntosh asked us to define effective demand. Effective demand is an economic concept; demand and demand curves are well known. Both in the terms of reference and in some of the writing, the words "effective demand" are used. If you will pardon me, Mr. Chairman, getting into an example type of thing, let us take demands for, you name it, diamonds. If they are \$1.00 a carat the demand is insatiable and the curve would therefore run on forever, right off the graph. But this is not what they are asking. They are asking for effective demand. They are asking for demand in the economic sense, and demand in the economic sense has not got anything to do with need; it has nothing to do with desire; it has got to do with outlay or expenditure. Therefore "effective demand" is the outlay or expenditure by the person who wants the goods or service that will stimulate the man that provides it, to provide it.

In other words, it is a cost concept, and during the break I went over to the library here and just looked up a very well-known economist, Alvin H. Hanson, he is from Le Tour Centre in Harvard, and I guess one of the leading writers in Economics and Political Economy, and one of the most distinguished economists in North America. He has been well-known, he was in Minnesota before he went to Harvard and I am sure he is well-known to many of you.

● (4: 00 p.m.)

In this book—I think he has written something like 50 books—the one I pulled off the shelves in there is his brochure on economic policy. He published this with McGraw-Hill in 1937. In it I found this: "Demand in economic terminology does not mean need or desire, it means outlay or expenditure". The reason I went to that is that Mr. Hanson's books are used because of the clarity of language and definition he has developed in the economic thought.

With respect to effective demand, therefore, we might have half of Canada with a desire to travel. Unless they are prepared to make an expenditure or an outlay that will cover the cost and have somebody want to produce it, then it will not be produced and there is no effective demand for it. I would be very surprised, Mr. Chairman and Mr. McIntosh, if there could be any disagreement or quarrel with such a basic concept as demand and effective demand in

economic terminology. Obviously, whoever set up these terms of reference was using this approach to it, because it is a well-known transportation economic approach.

I do not know if that is what you had in mind but it is in accordance with the notes that I have.

Now, another point, raised by Mr. McIntosh, was that he said he seemed to find an apparent conflict—again Mr. McIntosh you must pardon me, these are notes: I try to be accurate—apparent conflict between paragraphs 34 and 19 of the summary. Is that correct, sir?

Mr. McINTOSH: Yes.

Mr. SINCLAIR: Well, at page 34 it has been stated by us that the program of Canadian Pacific has been in the best interest of the people of Canada. You stopped there, as I remembered you reading it, and we go on "and in faithful accord with the company's obligation to them".

We developed that thesis in our main brief and I spoke of it this morning in talking with the committee. Our point is this—and I will then go back to page 19 if I may, Mr. McIntosh—that misallocation of resources if allowed to continue is a disservice to the people of Canada, and providing rail passenger service where there is no effective demand for it, is an economic waste, is a dislocation, a misapplication of resources, and therefore, if a program is not set, based on effective demand it cannot be in the best interests of the Canadian people.

This is the point that we make: this is the philosophy as explained by Mr. Crump, and, if I may again use an example, let us say that the loss in passenger service was \$60 million per annum. I have heard that figure applied to some outfit or other that might have lost that much, \$60 million in one year. That uses up manpower; it uses capital for no economic result commensurate with the amount of capital and expenses paid in.

If it is allowed to continue, for say 10 years, \$600 million, you can see the effect that this kind of a program would have on the economic liability of Canada. Canada is not a poor country, but it sure cannot afford to misallocate resources in that way without suffering the consequences. And it particularly cannot afford misallocation of resources in transportation, as was pointed out by Dr. Deutsch and others.

So, therefore, you look then at page 19. Here we were dealing with something else. We were dealing there with the carrying on the Canadian, subsequent to the introduction in 1963, of the Faresaver Plan.

The Faresaver Plan was extremely low rated. The purpose of the plan was to attempt to stimulate 100 per cent occupancy, and I mean 100 per cent, not 100 per cent effective, I mean 100 per cent literal. In other words, that the train would never be operating without every upper, every lower, every seat packed. Obviously, that could not be done, as we, in transportation know, and, as you know, that full occupancy is impossible and you cannot get it, but this was it. It was then thought that by stimulating people to realize rail transportation, there might be opportunities to approach the fare structure in a more realistic way. Because of certain circumstances this has not been possible throughout, and so the Faresaver Plan are loss rates. If the train was full at today's cost of labour and materials, you would have to have seats on the roof to make it break even.

Therefore, you come to this. When you set up a train, and it is going to run, you are going to mark it in this way. Our marketing staff went down to the United States secured tourists to travel on these trains at less than cost. In other

words, we stimulated a demand in the United States to come here to use up money, to increase the passenger deficit. Why? Because this was what you might call, empirical, but once we decided that you could not stimulate demand and adjust what they were prepared to pay, then you, economically, cannot go out of the country and import a deficit.

It is for this reason that there is no conflict between pages 19 and 34, if I have made the point clear.

I think, Mr. Chairman, in the light of your ruling, I must apologize with alacrity. I, as a Westerner, must really thank you Mr. McIntosh for letting me have an opportunity to have something to say about things that are not allowed to be said. However, the rest of these questions, according to my notes, are just as much outside the realm as the one that I attempted to get into earlier. If I am wrong about that we will check the transcript and we will take another occasion, if we may Mr. Chairman, to come back to it.

MR. HORNER: My first question, Mr. Chairman, centres around clauses 34 and 35. I would like to know from Mr. Crump whether he has had any discussion with the Minister of Transport within the last year or so, two years perhaps, with regard to a passenger train policy in Canada. Has the Minister given you any indication of what the government feels should be maintained as a passenger service, in enunciating your policies in clauses 34 and 35 particularly?

● (4: 10 p.m.)

MR. CRUMP: The answer to that, Mr. Horner, is that I have not had any discussions with the Minister on a passenger train policy in Canada as such.

As you know, we presented extensive evidence before the Royal Commission, the Royal Commission brought in its report, and, in some respects, we agree with the Royal Commission; that is where it stands.

MR. HORNER: Then you have had no direct or indirect contact with regard to the maintenance of a passenger service? Passenger service is not specifically spelled out in clause 35, I was just wondering whether the Government, over the years, past and previous governments, have indicated that they feel you are obligated to maintain a passenger service?

MR. CRUMP: No, we have had no such discussions as that. We of course, appeared, as has been said before, at the tribunal appointed by the Government, the Board of Transport Commissioners but with the Minister we have not, nor has there been any legislation to this effect.

I realize that the report of the Royal Commission has not been implemented.

MR. HORNER: This, of course, is one of the things that this Committee is going to have to deal with, namely how far they want you to go in maintaining or living up to obligations of the past in the passenger service. This is, in a sense, the broad aspect of what this Committee must decide as I see it, and I just wondered whether you had had any discussion with present or past governments in this regard.

What percentage of your passenger business today is made up by the Dominion service, or was made up by the Dominion service when it was still operating? Could you give me a rough idea so that we would know what we are dealing with particularly in the Dominion service?

Mr. SINCLAIR: On the basis of revenue, percentage of revenue?

Mr. HORNER: Percentage to revenue and percentage of cost? Let us have both. Let us just have a look at what part of the passenger service you are giving to the public, we are going to deal with particularly in looking at the Dominion service.

Mr. SINCLAIR: We have to go back to 1964; that was the full year, and you would have to make a calculation which I am sure we have not got here. But if you will wait a moment I think we can come fairly close to it.

Mr. HORNER: You could answer the questions, if you had someone else look up the figures.

Mr. SINCLAIR: I think I can give you the answer, without excluding some of the revenues that should be excluded to meet your question directly. By giving you roughly what is the total percentage represented in revenues by the Dominion I would say somewhere between 20 and 25 per cent.

Mr. HORNER: 25 per cent, and would the cost run about the same?

Mr. SINCLAIR: For 1964, costs? I would say the costs would be in a ratio of a step higher, 25 to 30 per cent.

Mr. HORNER: That is fine. Now we know what percentage of your business the Dominion service actually entailed. In other words, you are stepping out of the passenger business, or hope to step out of the passenger business, by 25 per cent roughly.

Mr. SINCLAIR: No, that does not follow at all, with all due respects, that is a non sequitur because, as I explained, we were stimulating this business from the United States in regard to a substantial amount of that dollar revenue. Some of the business that was on the Dominion will be transferred over to the Canadian to make it a more viable operation.

Mr. HORNER: Do you feel obligated in this regard? I am sorry, I thought you meant the Canadian National.

Mr. SINCLAIR: No, I would not try that. That is too big a job even for anybody I know. Therefore, the conclusion you have reached, Mr. Horner, just does not follow, with all due respect.

Mr. HORNER: I do not think that you conclusively proved to me that it does not follow, but I will accept that. Perhaps it is not quite that big in your terms.

Mr. SINCLAIR: No, it is not a question of how big or how little, it is just a non sequitur, because there are mail and express that are now moving; there is the question of the transfer to the Canadian, and there is the question of non-stimulation, of losing business.

Mr. HORNER: I noticed in your brief to the Board of Transport Commissioners somebody outlined the proposed avenues that this traffic could then move in. It would be over T.C.A. or C.P.A. or busses, or over the Canadian National.

Mr. SINCLAIR: I think, Mr. Horner, Mr. Chairman, members of the Committee, it was this. The Board of Transport Commissioners are inclined to assess the adequacy of other services, they secured evidence from Air Canada, from Greyhound, from the Canadian National, and they made reference to the ability of these other operations to handle any demands for space in that peak period

that they were considering, and that was the purpose of it. It was this vast *proprio motu* by the Board in the carrying out of its duties to weigh alternative services.

Mr. HORNER: Following up this question of prior discussions, in the past number of years, has the C.P. discussed this passenger aspect and the phasing out of it, with the C.N. to the effect that perhaps you could drop out of this line and the C.N. would take up the load or take up the slack on their line or vice versa. Has there been any discussion with regard to phasing out of the passenger business with the C.N.R.?

Mr. SINCLAIR: For example, under the aegis of the Board just recently there was an agreement whereby the C.N.R. maintained the service on an exclusive rail basis, from Montreal, Ottawa, Toronto.

Mr. HORNER: The C.N.R. is to maintain that?

Mr. SINCLAIR: Yes, they asked to be in there. They said they would stay in if they could have it exclusively. That example is one that comes to mind.

Mr. CRUMP: To my knowledge, Mr. Horner, that is the only case where this sort of thing has happened. There was a discussion after the breakup of the passenger pool which operated between Montreal and Toronto, Ottawa and Toronto, and we had many conferences with the Board in regard to this, along with the Canadian National. From that emerged the fact that the Canadian National are now serving Montreal and Toronto, and Ottawa-Toronto exclusively, by rail. You may wonder why this was done. There is a very good reason.

In the 340 odd miles between Montreal and Toronto, we each had trains on there as you will recall, for some 30 odd years under the pool arrangement, and then for a short time after the pool was broken. We simply cannot match the time of the Canadian National between Montreal and Toronto. It is physically impossible, and with the demand for shorter elapsed time and higher speeds, after a great many conferences, it seemed to me to make some sense.

Mr. HORNER: Along the same line, while we are discussing the agreements, I noticed in clause 28 there is no mention made with regards to the C.P. run between Calgary and Edmonton. Are you thinking of any phasing out of that service? In clause 28, you mentioned, you are going to continue the Canadian, for a number of years and you hope to—

Mr. SINCLAIR: I could assist you there. We are giving that service, it is one of the lines we have under study. The reason for this is the extremely good highway that runs now between Calgary and Edmonton. Alberta is promoting this highway tremendously. The Government is promoting it in Alberta, in the United States and in Eastern Canada. In addition, between Edmonton and Calgary, there is the first application of air bus which is going into the Municipal Airport at Edmonton and giving a very rapid service on a walk-on, walk-off basis.

The fact of the application of the air bus technique plus the Government of Alberta's promotion of that highway make us put that line under study also in relationship to the effective demand that we can see in future. It would be in the study group and that is why it is not delineated.

● (4: 20 p.m.)

Mr. HORNER: You said, a while ago, with regard to passenger service generally, that the train could run at 100 per cent and you would have to put seats on the roof in order to make it pay its own way. This does not hold true with all lines of passenger service?

Mr. SINCLAIR: I was saying, Mr. Horner, that that was the effect of the level of the Faresaver Rate. This Faresaver rates, you know, I do not want to be facetious, at all, Mr. Chairman, but they were down so low that nobody could afford to stay home. It was cheaper to ride on an all-inclusive fare than it was to stay home and have your wife cook for you.

This is why under that level of fares, a break-even point would require seats on the roof.

Mr. HORNER: You people yourselves set the Faresaver rates, and if you accept them—

Mr. SINCLAIR: Yes, and for the reasons I mentioned earlier; and the adjustment of them subsequently has not as yet been possible.

Mr. HORNER: Do you feel that C.P.A. if given further air rights could, in the years ahead, offset or pick up some of this loss in passengers, or some of these passengers would be able to travel by your train? Is this in the scope of a future policy of C.P.R.?

Mr. SINCLAIR: We look back on C.P.A. and the transcontinental route—and I think it has been of great benefit to all Canadian travellers in the freedom of choice and the way that it has improved the standard of air travel in Canada. I think that goes without too much contradiction, and, therefore we would hope that C.P.A. would be able to continue to meet the needs of the travelling public with expanded air service.

Mr. HORNER: Just along this line, you mentioned an air bus between Calgary and Edmonton. Is it your hope that you can discontinue this service; that you could pick up say the prairie air route, which was disbanded here a number of year ago by Air Canada.

The CHAIRMAN: Just a moment, Mr. Horner. Before we go on here, I want to remind you of your own point of order before, I think you have probably strayed from your point of order which I agreed to.

Mr. HORNER: I think we are still talking about passenger service, and other modes of passenger service which will have to be made available, because of discontinuance of this service and future passenger service.

The CHAIRMAN: We are concerned with rail passenger service.

Mr. HORNER: Well, in order to discuss rail passenger service, you have to discuss modes of passenger travel, I think. In the brief are all kinds of references to air traffic and air bus and so on.

The CHAIRMAN: Before you went too far I wanted to bring you back to your own point of order.

Mr. HORNER: I do not think I have strayed very far at all. I am not getting into the question of study. I think though that this is a very pertinent question. When you set out your policy on air traffic in Clause 34 and 35, surely you must have in mind the hope of enlarging C.P.A.'s rights to pick some of the traffic which may be created in the passenger business.

Mr. CRUMP: Mr. Horner, we have that hope of enlarging the C.P.A. and its revenues because we feel very definitely that the trend is from rail to air. I feel this very strongly. You asked a specific question about the air bus service between Calgary and Edmonton.

That is being served by another carrier and it is being served adequately. We would not anticipate getting in there.

Mr. HORNER: I use that as an example, Mr. Crump, not necessarily the fact that you would move in.

Mr. CRUMP: Again, may I draw to your attention the affluence of that part of the territory, because it seems to me I read in last week's issue of *Time*—that is hearsay evidence perhaps—that there were 187 miles four-lane freeway between Edmonton and Calgary.

Mr. HORNER: That is hearsay, because I read it too.

Mr. CRUMP: Calgary now has the highest ownership of automobiles per capita in North America, above Los Angeles, and most of them seem to be out on this beautiful new highway trying it out.

Mr. HORNER: Have you, with regard to the phasing out of the passenger service on the railway and moving in more and more of the passenger service by air, had any discussions with the ministers of this Government, or past governments, with regard to allowing this to happen? You have not applied or had any discussion with the Minister of Transport to try and get more landing rights in various airports—

Mr. CRUMP: Oh yes, we have been fighting to try and get more rights in the air, not in connection with phasing out of the rail passenger service.

Mr. HORNER: It is best to leave that argument alone.

Mr. CRUMP: The air business is one of the largest industries now in North America and we have been trying to take a place in it. We have been trying to get further routes, the history of our airline is well known. I could review it if you wish, but we are primarily a long haul airline. We have a few short routes in British Columbia.

Mr. HORNER: Do you intend to remain that way?

Mr. CRUMP: This is purely at the choice of the Government as to what routes we are granted.

Mr. HORNER: What I am trying to ascertain in this line of questioning, Mr. Chairman, and Mr. Crump, is in effect the discontinuance of the Dominion service one more way of putting pressure to bear on the present government, shall I say, to grant you more air routes?

Mr. CRUMP: None whatever. There is no connection. We will fight the air matter on its own merits.

Mr. HORNER: I would like to go back then to clause 19 and deal—

The CHAIRMAN: I would like to allow some other people some questions too, Mr. Horner, if I can come back to you.

Mr. HORNER: Fine, Mr. Chairman. I have been trying to be as brief as I can.

Mr. KNOWLES: I wonder if Mr. Horner could permit a supplementary question.

Mr. HORNER: Certainly, go ahead.

Mr. KNOWLES: Mr. Crump denies any connection, but it is a fact that you are doing the two things. You are seeking to cut back on some of your rail services, and you are also seeking more air services.

Mr. CRUMP: Well, these are two separate compartments, as it were. We see the need of rail passenger service receding remarkably all over North America. At the same time we see the air business burgeoning to a degree unprecedented. We would like to be part of the air business, and feeling, as we do, that inevitably the passenger is going to leave the rails, we are taking action in that direction.

Mr. HORNER: To go back to clause 19—

Mr. SINCLAIR: I wonder if the point is not made in this way, in supplement to what is being said here. It is not the carrier that determines the choice, it is the passenger, and the passenger having indicated the choice, a transportation company should attempt to meet it.

● (4: 30 p.m.)

Mr. HORNER: I come back to clause 19 in which you state that there were many complaints. Take that phrase along with effective demand, how could you have effective demand with the type of service you are providing under clause 19. You are asking the public to demand something they really do not like.

Mr. SINCLAIR: No, Mr. Horner; it goes this way. Once you give a train service, such as was given on the Canadian with that type of equipment, people who are using other type of equipment, older equipment, complain, and one group goes on the Canadian and the other group goes on the Dominion. The people on the Dominion say we pay the same fare, this low Faresaver, as you are giving the people on the Canadian and yet we have to take what is older, and they call antiquated equipment. There is no question about it; some of the equipment is old, and, as we say in our brief, the cost of rehabilitating it would be prohibitive. You have to realize this: there is no rail passenger equipment, no conventional rail passenger equipment, being made North America, and there has not been any for quite a number of years. I would say certainly none has been made in the '60s.

Mr. HORNER: In figuring out your variable cost you said a while ago that depreciation allowances are written in? Does depreciation allowance cover the original replacement cost of the vehicle, or whatever you are depreciating?

Mr. SINCLAIR: No; our depreciation, as approved by the Board, and in our accounts, is on a straightline basis, it is on a group basis, and it recaptures over the service life left of the original investment, which is way, way short of any replacement cost. Nobody that I know of in transportation is using replacement cost depreciation this way; that is very much higher. I would say a small fraction of replacement cost.

Mr. HORNER: We were told that the C.N.R. is using now what they call an accelerated depreciation cost system which is supposed to do this.

Mr. SINCLAIR: Accelerated? With all due respect, Mr. Horner, I do not know what you are told about what the C.N.R. does, but the depreciation rates that they filed with the Board of Transport Commissioners and which are approved by that Board, are on a straight line basis. Accelerated depreciation does not recover replacement cost; it recovers only original cost and this is basic to

accounting. I know of no accounting that is working on a replacement cost basis in regard to equipment or in regard to facilities.

Mr. HORNER: Fine, Mr. Chairman; I have some more questions, but I will pass and give a chance to others.

Mr. ANDRAS: In regard to the future status of the Canadian, on page 17 of the detailed brief presented today by the C.P.R., and also in subsequent remarks by Mr. Crump today, "the statement made, is apparent that we will continue to operate The Canadian for years to come." I think Mr. McIntosh brought up the public reaction to what they conceive might be going to happen to the Canadian, and I think it is fair to say that there are several people who think that the Canadian will be discontinued as soon as the C.P.R. can do so, in terms of authority to do that. Even in the brief that has been presented to us today there appear to be some inconsistencies that add fuel to that fire of feeling that the Canadian may be discontinued. Perhaps, for my own satisfaction, the answers to some of these questions might clarify that.

First, is the C.P.R. experiencing any significant increase in delays, or in equipment malfunctions or breakdowns on the Canadian that might be due to aging of equipment; secondly, how long will the present equipment serve and function effectively? Thirdly, sooner or later, of course, it will have to be replaced. Is it the intention of the C.P.R. to replace that Canadian equipment, in view of the other statement on page 18 of this brief to the effect that there will be no justification for the purchase of new equipment. And, fourthly, how long would the C.P.R. continue the Canadian in relation to equipment replacement or requirement.

In other words, what plans for new equipment in the Canadian transcontinental passenger service are contemplated when that requirement ceases, which you must be planning for now?

I think another inconsistency which has been reported that adds fuel to this fire in regard to the future status of The Canadian, is a reported statement by Mr. Emerson in the Board of Transport hearings—I think it was in Calgary. I believe I have the transcript here—when he was being questioned by Mr. Frawley. I will not go through the whole thing but they are dealing with the loss in the Dominion and so on. I think Mr. McIntosh's point was interesting in that much of the brief presented here, or much of the conversation we have had here with regard to the Dominion could sooner or later be applied to the Canadian. It would just be a substitution of words which would make sense. But in the questioning of Mr. Emerson it is my understanding that Mr. Frawley lead into the Canadian and asked if the C.P.R. had plans to discontinue that train.

The answer was "No, but one problem at a time, one step at a time. We will solve one problem at a time". Then Mr. Frawley went on to say, "Once you got rid of this one", meaning the Dominion I presume, "then Mr. Spence's next instructions will be to make application to remove the Canadian" and Mr. Emerson quoted "You are anticipating I could not go on along with you on that". Mr. Frawley asked the question, "Would you want to take the Canadian off" and his answer was "Well, we are not planning that this year".

My point is that all this, with the apparent inconsistencies even in this brief, most certainly would not clarify, without further information from you, the future status of the Canadian in spite of your statement that it was apparent that it would be operated for years to come.

Mr. CRUMP: May I answer it this way: First of all, in regard to what you mention are breakdowns, did you say?

Mr. ANDRAS: Sooner or later you would have to do this if you do not replace the equipment.

Mr. CRUMP: This equipment is only about ten years old. It is the stainless steel equipment that I am talking about that is on the Canadian. There is no problem of breakdown in this equipment; it can be maintained to its original standard almost. We have no difficulty with it. We have had some delays this winter on the Canadian. We have always had delays on passenger trains in this country when we have had a very severe winter. We have had one of the most severe that we have had in many years.

I would anticipate no trouble outside of the normal things that mechanically happen. This happens in motorcars as well as on rail diesels. I have heard it expressed as the eternal cussedness of inanimate objects, and this does happen occasionally.

We try to eliminate it. Many years ago we started a system; we learned something from airline practice of progressive maintenance, and it has been most helpful in the maintenance of diesel units particularly, but also in regard to equipment such as we are talking about.

This equipment is, as I say, about ten years old. I see no reason why that equipment should not run efficiently for 20 to 25 years. What would happen ten years from now, 15 years from now, I am not prepared to say at this time; but I do want to clear up again that we intend to try and merchandise this train if I can use that term. We have been doing it. Here is a first class train. As I said, I think, in answer to Mr. McIntosh, as a matter of managerial discretion, I want to see that train kept on. How long, how far down the road this goes, I do not know for certain.

How long or how far down the road this goes, I do not know, but certainly, it will be for some years to come. I cannot be more definitive than that.

● (4: 40 p.m.)

Mr. ANDRAS: Mr. Crump, there is a statement here to the effect there is no justification for purchase of new equipment. But, it is conceivable that you would have to replace some major equipment in the next five or ten years.

Mr. CRUMP: If the demand was great enough, certainly. This is what we are doing in our freight equipment every year now. This is what we used to do in our passenger equipment. But since the great part of the demand has disappeared, we have not been doing it, nor has anyone else in North America. It may be that others are moving into some new sphere of high-speed lightweight travel, which was mentioned this morning, but I do not know.

Mr. OLSON: Well, Mr. Chairman, Mr. Crump, I want to say to you that I appreciate your remarks when you said that the C.P.R. officials welcomed this opportunity to come before the Committee to try and clear up what you refer to as a misunderstanding which the public, perhaps some members of Parliament, and a lot of people have, regarding the attitude and the plans of the C.P.R. respecting the matter that has been referred to us.

Now, Mr. Crump, I have noticed in your remarks this morning and also in the brief that the key words seem to be "effective demand"; in fact, I think it is used 31 times in your brief. I think Mr. Sinclair also referred to it as being

the key to the whole matter of railway passenger service. Therefore, I think that perhaps we ought to spend a little time at the outset to see if we can agree on the connotation, the definition, or whatever you want to call it, of these words "effective demand".

I have a lot of questions to ask in detail about other matters but I think that at the beginning we at least should try to reach some agreement on what is actually meant by "effective demand". But, I am very surprised to note that in the statements that you, Mr. Crump, and Mr. Sinclair made to the Committee earlier today and in the brief and in the summary of the brief, there is absolutely no reference made to your reservations system. Surely, if effective demand is going to mean anything so far as the desire by the public to use railway passenger service is concerned, there must be some reference and some explanation, and perhaps a survey, of what the reservations system is in fact doing to the railroads in terms of increasing the percentage of carrying capacity. Yet, there is no mention of this at all. I would like to put this question. You seem to have hung the definition of "effective demand" on the price that has to be paid for the service; but, no matter what the price is, no matter how attractive or desirable the service may be, if the public are continually being refused access to that service at the price, should this not also be a factor in the definition of "effective demand"?

Mr. CRUMP: Well, Mr. Olson, it seems to me, Mr. Sinclair gave a very erudite explanation of the words "effective demand". But, it seems to me, in my pragmatic mind, that effective demand is the demand of the public for a service—I think I said this this morning—which bears its cost; in other words, if the public is willing to pay a rate which will enable the service to be economic. Now, this is what I mean by "effective demand". If the rate is unduly low and the train loses money, that would not be economical and, I do not think that can be termed "effective demand". Perhaps I could say this: you talk about rates; surely the rates on the Canadian should be high enough but not higher than necessary to fill that train. This is the ideal condition. We never reached that of course but that to me is the optimum. If the rates were unduly low you have to put on additional capacity, and with your labour and material costs today the costs go up very rapidly; if your rates are too high, you have vacant space on the train. So, surely, the optimum must be that the rates should just fill that train to optimum capacity.

Mr. OLSON: That is as far as your interpretation or your definition of "effective demand" goes, the matter of the rates in relation to the service.

Mr. SINCLAIR: I would not think so, Mr. Olson. In this connection I tried to answer Mr. MacIntosh earlier, I do not think that is so at all. We are market oriented; this is our business; and we strive to develop an optimum use because we recognize the effect of optimum use on the cost. Therefore, we must market to get that cost within reasonable degree and, therefore, marketing is a function of meaning and stimulating but you cannot force people to come on to a train at prices they are not willing to pay. Let me give you an example of what I have in mind. In Southern Alberta they turn out some of the finest steaks in the world, and we fly them to Hawaii. You can go down to Wakiki and you can get one of those king size steaks but, believe me, it is expensive. Now, I think it is worth it, and I think if the people want it they should pay for it and some people do. But I do not think you could market those things to justify running an air freighter daily between, let us say, between Lethbridge and

Hawaii lugging steak. The first thing you know there would be more steak than there would be people in Hawaii. But you have got to market them at the price that it costs to pay the rancher for feed lot operators and the transportation company for putting them over there. If you do not market them, do not tell people about them, nobody will buy the steaks because they will not know they came from Lethbridge; they might think they came from Parker's Ranch over on one of the other islands. Now that is why we have to market the train, and we do so. And the reservation system, that you have raised specifically, is a part of the market. You can spend tremendous amounts of money on reservations and putting in a reservation system that is absolutely foolproof. You could take a computer and take out the time of the computer and program it so that it could even, I am sure, handle the difficulties that are involved in rail transportation, sleeping-car accommodation, transportation reservation system. It would be so costly that you could not keep up with it and everybody in North America has come to that conclusion.

Mr. OLSON: I would like to ask you this, Mr. Sinclair. Are you suggesting that "economic demand" and "effective demand" are synonymous?

Mr. SINCLAIR: I am saying that "effective demand" is a use of it in an economic sense and it does not mean desire. No demand is a matter of desire or need; it is a matter of outlay or expenditure. I believe I gave the example of diamonds at a dollar a carat.

An hon. MEMBER: Could I ask a supplementary question, Mr. Chairman?

Mr. OLSON: Well just a minute, Mr. Chairman. I would like to pursue this right here. Suppose that you have an economic demand and you have people who are willing to make the outlay. I think you referred to Dr. Hansen's definition about making this outlay and so on. And, suppose the people of Canada, in this specific case, are willing to pay the price of going from Montreal to Calgary and are willing to pay the price for the kind of service that they know is being offered. There is no question about that. But then, if they are unable to get on the train, does the effective demand then come out as the number who were able to get through this reservation system and finally get a seat or a berth? Is that what you mean by effective demand?

Mr. SINCLAIR: No, Mr. Olson, of course not. You see what I said was this. Let us assume that the pricing of space on the Canadian is sufficient to meet its cost. It is not right now, but let us assume that it is. Let us assume that we are working at a load factor of 80 to 85 per cent. Now, that is very high. To handle that from a reservation standpoint, which would be able to delineate all the things you say, would result in a very, very high cost, and that would then put the price up. I don't know if you really realize the distinction, Mr. Olson, between our system and an airline reservation system which can be made instantaneous, and the disabilities and the reasons why you cannot do that with passenger. Would it help you if I brought that to your attention? For instance, in the case of an airline a seat is a seat. They have an economy rate, and they have a first class rate. They may have 12 or 16 first class and the balance is economy. That is all they sell. On a railway they have coaches, uppers, lowers, compartments, bedrooms, drawing-rooms and, in addition to this, they have it fragmented. You can ride it from Medicine Hat to Winnipeg, Medicine Hat to Brandon, or Medicine Hat to Regina, and you are fragmenting all the way

across. Airlines do not fragment in that way. This, therefore, makes the reservation problem an extremely complex one.

However, to answer your question if I can with these explanations, Mr. Olson, it is this. Effective demand requires a Company to market, to market their services and goods, and if they are making money, if they are getting back their bait, any entrepreneur of private enterprise is going to go out and market it. That is why we go out to do it, that is the stimulant. We do not need to have anybody tell us to go out and market it; we will market it. And that is what we do in all phases of transportation.

● (4: 50 p.m.)

Mr. CRUMP: May I just add a word, Mr. Olson. The Board spent quite a bit of time, as you know, on the reservation system and I think perhaps this is what you have in mind. We have the five reservation bureaus across Canada, and we use this so-called "Lazy Susan" method of mechanical accounting of the space available. I am trying to put out too many suggestions here, Mr. Chairman, but if sometime down the road during the sittings this Committee or a portion of it would care to come down to Montreal or Toronto we would be delighted to show them how the reservation system works. I am a great believer in seeing first hand how these things function.

As Mr. Sinclair has said, mechanical computers have been tried on some rail lines in the United States and abandoned. The system we are using now is the same system, I believe, as the other railway users in Canada and all of the large railways in the United States. I would be very happy to show it to you.

On the other hand I could not help but think of your comments. I went out of here, I think it was last week, at noon on an airplane for Montreal, because I had a meeting in Montreal, and the plane was delayed trying to find seats for some people, and it was announced on the blower that the plane had been oversold due to a mechanical failure of the computer. So we are not alone in this. It is not a perfect system, it is being worked on constantly, and the work will continue.

Mr. OLSON: I thank you for that information, Mr. Crump, and sometime at your convenience or at your Company's convenience I would like to see how this reservation system works. I would also like to tell you that I am interested in the results of the reservation system, and I think it is fair to tell you now that I have a large number of letters in my files, and I think, as a matter of fact, almost every other member of this Committee has letters in his files from people complaining that they cannot get reservations and yet those same trains go through those same points less than full—in some cases, according to some of the evidence, given before the Board of Transport Commissioners, with a load factor of about 60 per cent. I personally have been refused a seat, a berth or any other type of accommodation on the train in Calgary within 20 minutes from the time the train leaves, but because I happened to have a pass I got on anyway and walked through the train and meticulously counted the number of empty seats between Calgary and Medicine Hat, which were the only two points between which I wanted to ride, and there was enough room for me and about 40 other people. Yet I was turned down. The reason I bring this up is because I am interested in the effects of whatever this reservation system may be.

I would like to ask you this, and I am not going to take a lot of time because there will be other opportunities. Have you made a serious attempt to update and modernize this reservation system so that you do not have to turn down requests for space, and at the same time, find that by the time the train gets ready to go you have only about a 60 or 70 per cent load factor?

Mr. CRUMP: This is something, Mr. Olson, that our passenger traffic people are working at all the time. No one wants to see a train travelling with 60 per cent of the capacity of their passengers available. We have followed the work being done all over North America in this regard on railways. I happened to be in the IBM plant at Poughkeepsie not too long ago when a computer was being timed out for probably the largest American domestic airline. With the volume they have and with almost two hundred people to serve, that is quite a different matter. But, we are fully aware of the research that is being done in Canada and in the United States, and it is our desire to update this to the best of our ability.

Mr. OLSON: Mr. Chairman, I am going to pass for now. I would just like to say thanks to Mr. Crump and Mr. Sinclair for the information, and also remind them that, at a future time, I want to get into a whole lot more detail of what actually happens. For example, in Edmonton and in Medicine Hat, when an individual makes a request for service, I want to know the details of what your agent does there, how the space is released to him, why it is held up, and so on and so forth, and perhaps either one of you gentlemen, or someone else will come here prepared to answer questions and see if we can find out why these continuing complaints come from the public that they are being turned down and, at the same time, they know that the train goes through less than 100 per cent full.

Mr. SINCLAIR: We will be glad to do that, Mr. Chairman. We will discuss it and prepare something.

I would like to suggest that if Mr. Olson is interested in looking at our set-up, he could come to Montreal and spend a little time, and we would very much like to show him, or anybody else who comes down, our computer set up in Montreal, which is our nerve centre. If he could take the time to do that, we would be glad to show him around.

The CHAIRMAN: This will be taken up by the sub-committee, Mr. Sinclair.

Before I call on the next questioner, this seems to be a good time to bring up the question as to adjourning this afternoon's session and whether the Committee wishes, in the light of the short day tomorrow, to sit this evening. I want to throw that out for a short discussion to you at the present time. Are there any suggestions?

Mr. ORLIKOW: Mr. Chairman, we did this on a previous occasion with the special Committee we had to deal with some railway matters. I would ordinarily be agreeable, but as far as I, personally, am concerned, I think there is a problem: the House is going to deal with Labour Estimates, and some of us, for example, may want to say a few words about something that is pretty important to the railways, the Freedman Commission Report and, in the light of that, I would like to co-operate. I was not one to object to the Committee meeting while the House was in session, and I won't on another occasion, but I don't see how we can finish our business and hear all the witnesses that I am

sure we are going to have to hear and only do it a couple of mornings a week. But I would personally object to meeting tonight for the reason I mentioned.

Mr. RAPP: I think that since the people from the C.P.R. are all here, I think we should have an evening session because, maybe tomorrow some members will have to sit on other committees, and so on.

The CHAIRMAN: The House is open at 11 tomorrow and that is why I brought this forward.

Mr. RAPP: I would be in favour of having the Committee session this evening.

Mr. PASCOE: Before we make this decision, Mr. Chairman, I know Mr. Crump cannot be here. Mr. Sinclair and perhaps Mr. Emerson will be here tomorrow and Monday.

The CHAIRMAN: Mr. Crump has advised the Chair, and I advised the Committee earlier, that they are available at the call of this Committee at any time, all day and every day as long as it is necessary that they be here.

Mr. BELL: I do not think we really have much of a choice, Mr. Chairman. I think we have to sit tonight and move ahead fast tomorrow, and I would hope that we could finish up tomorrow so that we would not have to have any C.P.R. officials here Monday, but then we probably would take them up later on their promise to come back, if necessary.

I would like to ask Mr. Crump some questions personally and tonight would be the last time in that regard.

● (5: 00 p.m.)

Mr. SHERMAN: Mr. Chairman, I subscribe to Mr. Bell's remarks. I would just say in deference, with all due respect to Mr. Orlikow, that the estimates for the Department of Mines and Technical Surveys were being debated this afternoon and some of us were interested in that particular debate. But, this is more important at the present time and I think that a majority of us would be in favour of sitting tonight and having the opportunity of having Mr. Crump with us at this time.

Mr. SOUTHAM: Mr. Chairman, Mr. Bell, Mr. Sherman and Mr. Rapp have pretty well expressed the opinion I was going to express. I think that in light of the fact that tomorrow the House opens at 11, and due to the importance of this matter we should sit tonight if it is possible.

The CHAIRMAN: May I just throw out this suggestion, that we sit until six this evening and, if it meets with the approval of the Committee, start at 8 and go until 10; and then we can discuss this evening about tomorrow and see how we progress this evening.

It has been moved by Mr. Rock, seconded by Mr. Southam, that we adjourn at 6, reconvene at 8 and go to 10, and we will discuss this evening about the meeting tomorrow.

Motion agreed to.

Mr. TOLMIE: I think the crucial point is the definition of effective demand. This is repetitious but I do not really think we can make too much progress unless we agree as a Committee what this term means. The question basically is: "Does the C.P.R. meet the effective demand of the people?" If we cannot

agree upon what the effective demand is, then we cannot arrive at any conclusions. I would like to see some further evidence supplied by both the Committee and the C.P.R. officials as to their definition of effective demand, or some more discussion.

In paragraph 16 there is a general statement.

Mr. SINCLAIR: Is that in the summary?

Mr. TOLMIE: It is in the summary, Sir. Mr. Sinclair actually read it out that "no instance has been observed of impairment of the economic or social development of any community caused by reduction in rail passenger services". Assuming for a moment that this is true, are you not really saying that decreased rail passenger service has not drastically hurt the economy of any community, but you leave unanswered the claim by many people that this decrease has caused substantial individual inconvenience, frustration and lost time.

These are intangible things, hard to define but, nevertheless, I think they are real hardships. I do not want your comment right now; I have a couple of other observations, but I would like you to consider that.

I think one of your main pennants in your brief appears to be that in a country of this size, with a relatively sparse population, and with ever increasing competition from air and vehicle, that in the future the feasibility of economic rail passenger service is very remote. Based on these conclusions you are more or less carrying your operations to conform to these trends. You had mentioned, at the same time, that Japan has a very efficient commuter type of rail operation in densely populated areas. I think I would be the first one to admit that, at the present time, Canada may not be ready for this type of operation but, as a forward-looking company, would you not have in your plan some provision for research and investigation into this new type of specialized commuter service similar to that now in existence in Japan.

You have mentioned that this would be a tremendous financial outlay and, that is quite possible. But, would it be possible, and would your Company be willing, if you feel it is a too onerous financial burden to your Company, to co-operate financially, say, with the Federal Government with regard to such studies?

There is one more point I would like to make; you mentioned that 50 per cent of the C.P.R. stock was held by individuals and 50 per cent by other people. Is it possible to find out the number of individual shareholders and some rough breakdown of the other shareholders?

Mr. SINCLAIR: Over 50 per cent of our voting strength is in Canada.

Mr. TOLMIE: Getting back to our original question, is it still possible to find out the number of individual shareholders and the breakdown of the other shareholders?

I have one more facet of that particular question and this is it: has there been any substantial expression of opposition by any of the individual shareholders opposing your policy in running passenger lines which, evidently, according to your figures, are running at a loss? I think this might be revealing.

Mr. CRUMP: To answer the last question first, to my recollection, I have not had any letters objecting to this policy from shareholders. There is just a doubt

in my mind that there may have been one, but I am not sure—but certainly not more than that. I have received a great many other supporting letters, of course, about the viability of the service.

Mr. TOLMIE: Mr. Crump, I would like to get this question straight. That was not my question. My question was this. There are a number of individual shareholders. Now, at your shareholders' meeting do they object to any extent to your policies which, evidently, result in loss of money in your rail passenger transportation?

Mr. CRUMP: No, we haven't had that objection at meetings.

Mr. SINCLAIR: The question you are putting is, do the shareholders object to the Company losing money on passenger service? The answer to that is, yes, many times?

Mr. TOLMIE: In what manner do they object?

Mr. SINCLAIR: They say, why don't you become more efficient in running our affairs.

Mr. TOLMIE: At your meetings, do they vote against it and raise their voices against it?

Mr. SINCLAIR: The management runs the property, and we don't get a vote in that sense, or any statistic piece of business. We explain to the shareholders and answer the questions as to what our policies are, why we are doing it and some of the difficulties we are having in tailoring our services to demand, and I think most of our shareholders realize, if I may say so, how difficult it is for us to proceed with the expedition in some of these matters that they would like to see.

Mr. TOLMIE: Would it be possible, based on what you have just said, to have excerpts from the minutes of your shareholders' meetings showing this voiced dissent as to your policy?

Mr. SINCLAIR: No, we don't do it like that. What we do is we explain our policy, if somebody asks us. We don't maintain a minute in that respect. We explained in our report that the rail passenger revenues did so, and are declining and what we did, and we send to our people various extracts from submissions that we have made which explains our policy—

● (5: 10 p.m.)

Mr. TOLMIE: Do you not have a general shareholders' meeting, at which shareholders assemble?

Mr. CRUMP: I think the answer to the question you asked directly, is that I do not recall in the shareholders' meetings any exception on this. But of course we are managers, and are charged by the owners of the property to run it in a certain manner, and at any time they are not satisfied why they get rid of us.

But the direct answer to your question, I do not recall a discussion at the moment, in the shareholders' meeting on a specific point of the passenger train deficit.

Mr. TOLMIE: Then it would be right to conclude perhaps that they don't take the alleged losses too seriously?

Mr. CRUMP: You ask about the shareholders' meetings?

Mr. TOLMIE: Yes, is there any assembly where shareholders can voice their opinion as to the profit and loss of your Company?

Mr. CRUMP: That is at the shareholders' meetings? Individually, of course, we have had many discussions with the shareholders.

Mr. TOLMIE: But no general concerted campaign against your policies?

Mr. CRUMP: The point where the shareholders can express their opinions is the shareholders' meetings or the annual meeting of the Company, and the door is open for questions and discussion.

Mr. ORLIKOW: Mr. Chairman, I want to ask a question for which the information could be—

Mr. SINCLAIR: I think it was the way you put the question, Mr. Tolmie? As Mr. Crump says, you say shareholders' meetings. The shareholders communicate with management individually. They are coming in and discussing things with us, from time to time, and we try to keep them informed. There are also other means of keeping shareholders informed. Security analysts distribute the effects of policy to shareholders and this is done, and has been done, with respect to Canadian Pacific on numbers of occasions in relationships about Canadian Pacific deficit as compared to deficits from other roads and what action we are taking. This has been published; you cannot pinpoint it. I have seen it a number of times. These are people that are paid to maintain watch on behalf of the general investing public's interest.

Mr. TOLMIE: May I ask a supplementary question to this, Mr. Chairman—

Mr. ORLIKOW: With regard to shareholders, I would be interested in finding out what the shareholders feel if Mr. Crump could bring in tomorrow or Monday some information that would show us the dividends paid on the shares each year for the last 10 years, and maybe what happened to the value of the stock, in the last 10 years. I think this would be very indicative of what is happening to the shareholders.

Mr. ROCK: Mr. Chairman, on a point of order, if this is to continue, with all due respects to Mr. Orlikow, many of the members here are marking questions down on paper and when their turn comes they will ask them. I can knock off four of my questions now. If I was to interrupt in the same manner, by a supplementary, and if we are all going to do the same thing, then we would be all speaking together on every question. I do not think this is the right way for us to proceed from now on.

The CHAIRMAN: Mr. Rock, your point is well taken but that is why I ask for the supplementary on the same question. I was not going to allow anyone to continue a line of questions. I just want to find out what the question was and whether it was a supplementary.

Mr. BELL (*Saint John-Albert*): Mr. Chairman, my prime concern is the Montreal-Saint John run but I cannot resist asking some questions without delving into this private management of the company. Did you say, Mr. Crump, that the company is more Canadian or less Canadian now; that is, in so far as private shareholder ownership is concerned.

Mr. CRUMP: At the moment the voting control—and this is a combination of preference and ordinary shares because in our company the preference shares are voting shares—the combination of voting strength in our company at the moment is slightly over 55 per cent in Canada. In 1946 it was approximately 94 per cent—

The CHAIRMAN: Let Mr. Bell finish his line of questioning please—

Mr. CRUMP: I think you might be interested Mr. Bell—

Mr. TOLMIE: Mr. Chairman, I did not get my answers. I did not get my answers to the three questions. I am sorry to interrupt Mr. Crump but there are two other observations I would like to have comments on.

The CHAIRMAN: You will have to come around a second time. I have got about eight people here yet.

Mr. BELL (*Saint John-Albert*): I will help you out by changing the subject to a very important part of Canada and I want to refer to page 17, Mr. Crump. You said that indications are that inter-city service will continue and you mentioned the Montreal-Saint John run. Now I am trying to recall your exact words when you went through this but it seems you went a little bit further in your remarks. There was a little bit more definiteness in so far as that service is concerned.

Mr. CRUMP: I think the essence of my remarks there, Mr. Bell, was that in the foreseeable future I would expect the Montreal-Saint John run to continue.

Mr. BELL (*Saint John-Albert*): The plan to pool with the CNR to Saint John and Moncton evidently is not being seriously considered. Well, may I ask, and Mr. Crump knows my interest in this, I think it was second only to the late Mr. George Nowlan, about the Digby service. I am very concerned about the Saint John and Digby about the future of this. We realize the problems and I wonder if anything could be said. We would certainly appreciate any frankness about the terminal at Digby, about the future of this service and general remarks on that matter.

Mr. CRUMP: Well, you know Mr. Nowlan very frequently raised this question. This is a question of the ferry service across from Saint John to Digby that you are asking about. We have conducted many studies there on how we could get a freight car ferry. This is what I think should have happened, and we have come to the regrettable conclusion that with the tides in the Bay of Fundy—again if my memory serves me correctly running to 42 feet in some places and putting rail cars on and off ferries, although we looked at three different systems of doing it, we just could not justify it. We did, however, as you know replace the smaller ships there with the larger ships, but that is not a rail car ferry and at the moment, with the connection that does already exist across to the north end there I do not see that a rail car ferry could be justified, particularly with the trend toward piggyback and truck transport which could handle most of the traffic.

Mr. BELL (*Saint John-Albert*): Well, we feel that we are losing a lot of tourist and passenger service because of the C.N. operations from Yarmouth to Bar Harbor. This brings up the matter of the government responsibility for a main link such as this. I am wondering if Mr. Pickersgill said in the House that he prodded the C.P.R. about this. I am thinking of the long-term nature of this, how we are being placed in a fairly indefinite position there. I am wondering if you want to express yourself on whether the federal government should become more involved with this in a subsidy way. I am not advocating extreme socialism like Mr. McIntosh did this morning but it strikes me that we are entitled to ask for a subsidy in a matter like this, if it is necessary, the same as the C.N.R. gets now between Yarmouth and Bar Harbor.

Mr. CRUMP: Well, the traffic between Yarmouth and Bar Harbor is primarily tourist traffic. The traffic between Saint John and Digby, with the new shifters, you know, we can handle a great many more automobiles and people and this is the form which the tourist traffic encourages. I do not know whether you mean to go beyond that for service already being rendered.

● (5: 20 p.m.)

Mr. BELL (*Saint John-Albert*): Well, I gather it is not that good a proposition that you want to get into it to make long-term plans for new wharves for Digby and the like.

Mr. CRUMP: No, I think the wharves at Digby satisfactorily serve the ships that are now in service across the bay.

Mr. SINCLAIR: I am wondering, Mr. Bell, if the question you are asking should be phrased this way? If the national interest indicated a requirement for that service and I am using "national interest" in its broadest connotation, then the royal commission's philosophy says that where the national interest superimposed on top of the economic, then it should be a factor for federal government action. I think that in answer to your question, we should ask, is there a case for national interest in the maintenance of that link across between Saint John and Nova Scotia, and if there is and it is demonstrated and if the philosophy of the MacPherson Royal Commission is accepted, then it flows in to the answer to your question.

Mr. BELL (*Saint John-Albert*): And I suppose I should have asked, although I do not know Nova Scotia, about the future of the D.A.R. which is a factor now.

Mr. SINCLAIR: Well, the D.A.R. is once again here, as you know that country well, particularly down in the valley, we have before the board some reduction in service there which is in advance—the board has not dealt with it—that we were maintaining other services. The distances are rather small and we certainly, Mr. Bell, have no idea of getting out of the D.A.R., I mean, in regard to transportation factors, but in regard to rail passenger on the D.A.R., so many of those spots are really an automobile drive or bus drive. You know the Acadian Bus Lines, and the flexibility that they give. It does not really fit into this operation and this has been creating problems and requiring new studies. Certainly, we have been giving it the best consideration we could.

Mr. BELL (*Saint John-Albert*): I think so far as this whole operation is concerned, you are not too unhappy with it but you cannot see enough of the future to make any great long-term plans.

Mr. SINCLAIR: I think that summarizes it pretty well.

Mr. CRUMP: You see, the link is maintained. There is a railway connection and a highway connection now between New Brunswick and Nova Scotia and the link across the Bay of Fundy is being maintained. We have put a larger ship on there, but at the moment we cannot see sufficient business there to, for instance, plan a rail car ferry or anything of that nature.

Mr. BELL (*Saint John-Albert*): Perhaps you do not want to go this far, but if the people felt that the service in the communities demanded better attention, you would not be averse to approaches to the government in this regard.

Mr. CRUMP: No, if the people felt that. We have already got quite a bit on our own, without any approach to the government, in bettering that service across the bay but what the people wish to do is in their hands.

The CHAIRMAN: Mr. Fawcett?

Mr. FAWCETT: Mr. Crump and Mr. Sinclair had been forewarned that there was a Canadian National man in the group here today. However, the fact that I kept very quiet when Mr. Crump was telling you about the Canadian I think is indicative that I am trying to remain neutral. However, the one thing that I would like to get at is this. Mr. Sinclair made some remarks regarding the complex costing systems—this costing analysis. My main question is this. Is it not possible, even though I recognize that fact that this is absolutely necessary in business, that this costing system, the result it shows, would be in conflict with perhaps what you could call logical reasoning. For instance, just as an example, the cost attributed to road maintenance for the Dominion, does that mean that the Canadian Pacific are going to save that amount of money in road maintenance by cancellation of the Dominion? I think the same would have to apply to car inspection. What would be the situation there. Would there be carmen laid off or would the same number of carmen be working. Would your labour costs for car inspection be the same? And I think we would also have to take into account snow removal and section forces. Are they maintained at the same strength, and all this sort of thing? Now I can see where there could be perhaps a decrease in the number of agents, ticket agents required, but would the amount attributed to them be a realistic figure. This is the point I am trying to make. Is this money that the Canadian Pacific is actually going to save by the cancellation of the Dominion or is it merely the results of a system of costing analysis.

Mr. SINCLAIR: Well, Mr. Fawcett, you have to apply different statistical techniques, depending on what group of costs you are in. For instance, we will take as an example one that you mentioned, namely road maintenance. We used the regression analysis technique and this enables us to introduce into the equation a large number of independent variables to develop the cost coefficient. Now, there has been a marked advance. When we first started back in 1946 to deal with cost we were constantly being attacked by the fact that we were not recognizing the variability by using only normal equation practices and it was to the development of regression analysis that we were able to introduce these independent variables into the equation. I might say, Mr. Fawcett, that logic is a difficult thing to use in the application to multi-variant equations.

The application of straight logic, unless you have had mathematical training in these things, will certainly lead you astray. There are a number of very excellent tests that are applied to these equations to see that the cost coefficients developed by them are reasonably accurate. I do not want to get into mathematical jargon at all, but these are tested out. I do know that, for instance, that road maintenance has as a factor the number and weight over rail joints; and that you can measure this reasonably by experience. You can deduce that as an independent variable in the equation. Other factors are

involved also. Speed has effect. Dependent on the speed, your line and surface of road maintenance have to vary and these can be put into the equation and they are done so.

Now, when you come down to the question of section forces, there is no question about the fact that to maintain tracks the passenger train ridability requires more section forces than it does to maintain its freight ridability. There is no question also that car inspectors can handle only so many car lengths and can check only so many trucks and running gears and when they are not doing passengers, they can be doing freight. Therefore when you ask, "are these costs variable costs that will be saved?" The answer is "yes, they are". And this is the reason why. You move your staff into another sphere and charge the cost of that staff to that sphere. For example, let us take, for instance, Calgary and Mr. Olson will pardon me for constantly returning to his place but here is a place where traffic has gone up tremendously. Car inspectors can be used there for inspection of freight trains in the terminal, and then their cost is chargeable to that freight service, and they are taken off and charged to passenger service. We have realized staff from maintaining car inspectors in one place because of the flow of passenger service to move them down to work on freight and then bring them back for a train, where, if you had three trains, you would not be doing that. You would have a dead time and the staff could not be utilized for transferring, and it would more than offset the savings involved.

Now the other thing you mentioned was car inspectors and snow removal. Snow removal off track is one thing, snow removal off station platforms is another. You may go to Mr. Crump's home town and the way it snows at Revelstoke if you had a train every hour you would keep people moving snow constantly, but if you had a train once a day you could remove it just before the train got there and then let it build up again. On track, if you are running trains and you got track occupancy to 100 per cent—well, of course, there would not be—we have very high track occupancy in certain sections of our line and others we have not. You have to give me a specific area. In some areas I would say no and some areas I would say yes depending on the specific area you are dealing with.

You say that this is complex. It is complex only because everybody that is trying to develop costs where costs are truly joined has a mathematical problem. Thankfully, mathematicians have evolved systems of working at this and they can be run through a computer. Before we had a computer you could not do regression analysis because the physical job of making all the calculations was beyond your staff.

● (5:30 p.m.)

Mr. FAWCETT: Pardon me, could I interrupt there, Mr. Sinclair. Could you give us a definition of this regression analysis.

Mr. SINCLAIR: Regression analysis? Well, as I say, you get a cost and it is determined by a number of independent variables. You introduce these into the equation and then you make your calculations through the computer. Most of the great formulas may have two variables; regression analysis can have, well, pretty near an unlimited number of independent variables, all operative at the same time. If you can visualize looking at the same time at four or five different sides to make up a whole, that is the best I can do. It does permit—and I know of

no other system that does permit—the study of the behaviourism of a number of variables towards a cost. I certainly am trying my best to help you, Mr. Fawcett.

Mr. FAWCETT: I am not a mathematician but this is something that is bothering me, I see there is a necessity for this type of costing and naturally it is a determining factor in the Canadian Pacific.

Mr. SINCLAIR: It was a marked advance that enabled us to secure much more accurate cost than we had before—a very marked advance—a real break through.

Mr. FAWCETT: I still would have to say that I would think your road maintenance costs, though, are unrealistic. I cannot see having that amount of money actually.

Mr. SINCLAIR: I know this, that sometimes, Mr. Crump, when he sees how much we are spending on it, thinks we are pretty unrealistic too but, nevertheless, we do maintain our track and we do know that this is affected by a number of variables that we put into these equations. I am sorry that I have not been able to help you more.

Mr. FAWCETT: I will accept that for now.

Mr. SINCLAIR: There is a book called "The Economics Transportation" that has a lot of these equations in it and if you have some spare time and like fooling around with figures, you read that. But I am telling you it is not easy.

Mr. FAWCETT: Another thing, when you are figuring the cost of operating a passenger train that carries other material, say it carries express, mail and this sort of thing, the passenger, a portion is separated from express and express is separated from mail and so on.

Mr. SINCLAIR: You mean on the cost side or on the revenue side?

Mr. FAWCETT: On the revenue side.

Mr. SINCLAIR: We look at it on a by-product basis. Therefore, you do not do it that way on a cost basis. But on a revenue basis, we have contracts with the post office, we know what those contracts are, and you can calculate express revenues. But, on the cost side you are looking at it on a by-product basis. However, as I said earlier, Mr. Fawcett, I think the day is pretty near gone where major movements of packaged goods are going to move on passenger trains. You just cannot keep up with the competition if you do it that way.

Mr. FAWCETT: I would agree with you there Mr. Sinclair. I have had enough experience on the railroad to know that the trend is definitely changing to packaged freight both on your railroad and the C.N. The trend has changed entirely over the past three or four years. But I would like to get back to this business of reservations. I do not want to take up too much time right now because I know there are others waiting. Would it be safe to say that the main problem with regard to reservations is the "no show"? I go down here at night and I want a reservation to Port Arthur or Winnipeg; they tell me they are sold out. But perhaps three or four people in Ottawa have made reservations and these reservations are booked. However, by the time the train goes out these people have not shown up and as a result the train goes out with those spaces vacant until such time as someone gets on further up the line to take up the slack. Now do you think there could be a more realistic way of handling

reservations by, for instance, having the same system as the airlines have, where you must reconfirm before a certain time otherwise those reservations are sold.

Mr. SINCLAIR: Mr. Fawcett I know a little bit about the airlines, "no show" problem. In the IATA some years ago, through agreement with the airlines, a sanction was put in against persons who did not cancel. The airlines had to drop it because they could not enforce it. There is certainly the "no show" problem.

But with regard to reconfirmation, I just noticed that the IATA at their present assemblage, are going to introduce the double reconfirmation within so many hours because they found out that people reconfirm and still do not go. I do not know what you can reconfirm, reconfirm and reconfirm, but now the airlines are going to introduce the double reconfirmation on overseas flights, and they are discussing this now. I think the problem of "no show" is bound to be with you where you have reserved space. It is unfortunate that people are callous about their brother or callous about the man producing the service, and there is, of course, some instances where it is beyond their control; someone gets ill or there is an accident on the way to the station or to the airport, and you must always consider these things. I do not know anyone who has the answer to the "no show" problem. Thankfully, Canadians are not by statistics as callous as people in some other countries and while the "no show" is a problem it is not nearly as great in this country as it has been in some others.

Mr. FAWCETT: Mr. Chairman, I will pass for now.

● (5: 40 p.m.)

Mr. ALLMAND: Mr. Chairman, I want to revert to the question of "effective demand", which has been mentioned so often before. I agree with many of the speakers who have mentioned that they feel this is the most critical and crucial question because everything else seems to depend on it. I for one find it very hard to accept the definition of "effective demand" which is in paragraph 3 of the summary of the brief. Now Mr. Sinclair indicated that many people accept this definition and he referred to the economist, Mr. Hansen. I would agree that probably a lot of people do accept this definition of "effective demand", but definitions are expounded with consideration of a certain situation and a certain relationship. There is microeconomics; there is macroeconomics; there is business economics; there is classical economics and there is socialist economics, and probably under each one of these systems there would be a different definition of "effective demand". For example, I do not think if we use that definition of "effective demand" there would be no demand for educational services or garbage removal and so on. Now there are expanding effects of different services and, of course, I think if we use this definition of "effective demand" it would be very easy to convince us that there is no need for the Dominion and there probably is no need for lots of other railway services. I am wondering whether parliament or the public would accept this definition of "effective demand" to determine whether railway services really are needed. You have mentioned in paragraph 2A that you have to examine the following point: (a) The extent of the "effective demand" of the public for passenger service. And then, you go on paragraph 3 to define "effective demand" in your own terms—in terms which I think will suit what you in fact have wanted to do. I think there are many many things involved in effective demand and I am

prepared to come here and suggest other definitions of effective demand which I think the public and possibly Parliament are more interested in using as a standard yardstick to judge whether the services are really needed or not.

Mr. SINCLAIR: I do know that at page 37 of the brief the hon. Minister of Transport dealt with the situation, and we did deal with misallocation of resources, we did deal with Dr. Deutsch, we did deal with a number of other people and they all swing around to the same concept; and if that is not to be the concept then, as we quoted in our brief, we go to the position adopted by the province of Manitoba and the concept of the MacPherson Royal Commission of national interest, and the subsidization. So you have the thing covered in that way. We gave this considerable thought and I must say that I was not surprised at all to see the choice of the language in the terms of reference because if it was not in there I would have been surprised because I do not think that it would have been good for Canada not to have that kind of a concept for using the very important resources—and resources such as manpower and capital are certainly scarce; we can all agree on that. They are always scarce in the economic sense. But I do not think, as someone mentioned, there are inconsistencies. That is a pretty tough word for a fellow like me to live with. We have tried in here to present this and to present it in extenso in a certain amount of detail and we have checked it over and while our sequence may be out of step here and there because of our thought processes but our concept here I am sure is not inconsistent.

Mr. ALLMAND: I would agree that if we are going to have passenger rail services in Canada someone is going to have to pay for them, either the people who use the train or the C.P.R. perhaps in conjunction with the passengers who use the train because they got other things at some time or other, or the Canadian public—let us say the national interest will pay for them.

Mr. SINCLAIR: Well I must say that with regard to the third one you slid in between the other two the hon. Minister of Transport said, and I quoted him there, that no one who has studied this has ever given any consideration to that at all—and the reason for that, if you only think about it, is obvious. You are dealing here with something that is very fundamental and that is: how are you going to increase transportation productivity, because it is only by increasing transportation productivity that you are going to enable this practice to maintain the growth. We are very fortunate, if I may be so bold as to say so, in this country to have people who are capable of recognizing the necessity for maintaining increasing productivity, and also we are very fortunate to be living in the affluence we are living in. I am not saying any thing more than if you do not follow these concepts you are going to destroy it. It is that fundamental.

Mr. OLSON: The contract of 1880—

Mr. SINCLAIR: The contract of 1880, Mr. Olson, has been carried out to its entirety, and we quoted Sir Lyman Poore Duff in 1932 when he considered that. And, there are other people who have considered it. I do not think that that contract requires the company syndicate that became the Canadian Pacific Railway to operate against the best interests of Canada. If you are going to operate passenger trains where there is no effective demand for it, and you say that contract says that, then I disagree with you most heartily because I do not think that contract says that at all. And, I do not think anyone who has looked at it has said that.

The CHAIRMAN: Gentlemen, order.

Mr. ALLMAND: I think it is true that we really have to determine in Canada whether or not there is an effective demand for passenger services, but I would not use this definition.

Mr. SINCLAIR: Is Canada to misallocate resources?

Mr. ALLMAND: You have to balance your resources in consideration of the national need and in the national interest.

Mr. SINCLAIR: Are you going to misallocate?

Mr. ALLMAND: No, not at all.

Mr. SINCLAIR: All right then if you are not then you are going to meet only effective demand and eliminate economic waste—and I repeat—or transcend that on the basis of national interest.

Mr. ALLMAND: You also have to establish national priority. For example: we spend so much on one thing; we spend so much on another thing. Maybe it is important to spend so much on transportation services and passenger transportation services.

Mr. SINCLAIR: Well, this is a question as to modes and letting a viable mode do it. You have to be careful that we do not allow two things to override our judgment here; one of which is desire and sentimentality towards something that has been. We have to live with change, hard as it may be. That is the first thing we have to be careful about. And, the second thing is that we use our resources to the optimum degree. Thank you very much.

The CHAIRMAN: Mr. Rock.

Mr. Rock: Yes, Mr. Chairman.

● (5: 50 p.m.)

The CHAIRMAN: I have Mr. Rock, Mr. Honey, Mr. Sherman, Mr. Carter, Mr. Rapp, Mr. Ormiston and Mr. Tolmie. Now we allow Mr. Rock and then we will close at six and then come back with you at 8 p.m. again if you are not through Mr. Rock.

Mr. Rock: Mr. Chairman, I have quite a few questions here and I will go through them first without requesting answers right away. But before I do so, I would like to come back to a statement that Mr. McIntosh made about his party being strong believers in a free enterprise system. I would like to state that there are many on this side of the House, and in the Liberal Party who also believe in the free enterprise system—and there may be more in our party than in yours.

The CHAIRMAN: Let's drop the discussion and get to the question, shall we?

Mr. Rock: I also would like you to take into consideration, say, the Montreal Transportation Commission, which run a bus service and, of course, it will be running on the Island of Montreal the subway system. If they go into a deficit, the municipalities on the island have to pay for it. When the C.P.R. go into a deficit their shareholders are in doubt on the deficit, and I think that it is not up to us to force them to go into a deficit unless we are prepared—the parliamentarians here—to subsidize them.

I would also like to make another comment on the words "Dominion" and "Canadian". At the time when this became public knowledge that you were

going to discontinue the Dominion, I had a lot of phone calls from people in my constituency objecting to the fact that you are opting out of the service across Canada and handing it to the Canadian. In some way the people were thinking you were handing it to the Canadian National and I think, because of the way it was written in the press, a lot of people had the idea that you were completely opting out of passenger service across Canada. I would like to make the statement here that I had to tell them this was not so and from then on they were not making any objection at all. In fact they think that the Canadian, which is a good modern one be maintained across Canada, is something good for Canada. I would like to turn to page 7, paragraph 28, on your blue summary—and I quote: "It is apparent that the Montreal-Lakeshore commuter service will continue." It is on this statement here that I would like to question you, Mr. Crump. Of course, you must realize that I am the representative of that area where this commuter service operates.

I would like to know whether the C.P.R. expands its service according to the expansion of the municipalities and the population in that area. I believe over there there is an "effective demand". I would also like to know whether you have intentions in the future of purchasing double-decker commuter service cars rather than the type that you have now. Also I believe you are aware of the fact that the whole western part of the Island of Montreal is not serviced locally by the Montreal Transportation Commission and therefore people living in the municipalities not serviced by them have the difficulty of getting to the trains, either the C.P.R. commuter service or the C.N.R. at the north part, which comes under a tunnel to the C.N.R. Central Station. And since the C.N.R. and the C.P.R. have gone into freight and express—as has Air Canada, and yourselves in air, as well as your trucking interests—I would like to know whether you have ever studied the possibility of going—

The CHAIRMAN: We are falling short of a quorum. Would you remain please for another five minutes.

Mr. Rock: —into truck service to service your commuter service in a criss-cross idea of your traffic. Also, you are aware of the fact that the C.N.R. were trying to opt out of the commuter service on the North Shore and possibly selling this, or giving to the Montreal Transportation Commission the subway system, the Metro. Would the C.P.R. be interested in taking this over, retracking it and connecting in a cross-cross way with the lakeshore trackage? Now, mind you, I do not have a plan of the trackage of C.P. and C.N.R. in the area but I am just throwing this in.

Also, I would like to know whether you have ever studied the projected study made by the City of Montreal years back—I don't know whether it was 10 years ago or 7 years ago—as to the expansion of the suburban area to the City of Montreal—and I think this was a 25 year projection, whereby the metropolitan area would embrace Sherbrooke, Valleyfield, St. Jerome and possibly Three Rivers. I have come to the belief that you discontinued this line from Valleyfield a few years back—

Mr. SINCLAIR: That was the New York Central.

Mr. Rock: Oh that was New York Central, yes. Also, in that case I would like to know whether there is an effective demand for commuter service in an area where one does not exist? Are you interested in getting into a new project of commuter service in areas where you feel there is an effective demand. I will

be using those words "effective demand". Also have you any intentions of, lets say, operating the Dominion during centennial year. You mentioned that the Montreal-Toronto and Montreal-Ottawa runs have been handed over to the C.N.R. for their operation.

Mr. SINCLAIR: Not Montreal.

Mr. ROCK: Not the Montreal?

Mr. Sinclair: Ottawa-Toronto.

Mr. ROCK: Ottawa-Toronto.

The CHAIRMAN: Yes. It is six o'clock now and we will adjourn until eight o'clock.

Mr. ROCK: Thank you, Mr. Chairman.

The Committee adjourned.

EVENING SITTING

● (8: 00 p.m.)

The CHAIRMAN: A great deal of reference has been made today during the hearing to the summary of the brief of the presentation by the C.P.R. and I think perhaps we should obtain a motion to print this as an appendix to the minutes of proceedings and evidence of today also. If I could have a motion to that effect?

Moved by Mr. Rock, seconded by Mr. McIntosh.

Motion agreed to.

Mr. Rock was the last questioner. You have finished questioning Mr. Sinclair. Mr. Crump will answer.

Mr. CRUMP: If I may, I would like to take the first part of the series of questions you were asking Mr. Rock. The first I think was in regard to additional commuter service on the Lakeshore. As required we added additional cars, the trains were rearranged to suit the convenience of the customers. A fine example of that, of course, was the change to daylight saving time and the trains they put on as required during the holidays.

I think the second question was about the double deckers. A very few years ago we bought some new commuter cars for that service. At that time I went down to Chicago—and particularly Chicago because it has the heaviest commuter service in the United States, if you do not count Long Island, and I did not bother to look at that—and had a look at the double decked cars which the Northwestern has put in. After looking at those cars and the demand on the Lakeshore, we built the special commuter cars which, I think, are giving good service yet. It may well be that the way Montreal is growing and expanding, the metropolis of Canada, as Jean Drapeau says, somewhere along the line we might have to look at double decked cars, but I do not think we have reached that time yet.

On the third question of bus lines serving as a gathering system, it seems to me that our talents lie in operating the railways, the mainline system, and the private companies could well operate the gathering system at a profit. I refer you in this connection to the Swiss State Railways. I have not checked in the last year or so. The Swiss State Railways operate the main lines and the branch lines are operated by private companies, very largely. I think the Swiss State

Railways in the last year may have been in the red, but they are the only ones who have not been so consistently. It seems to me that that would be the better system; that we stay with our skills of operating the railway with whatever number of stops may be required.

The fourth question is on the joining up of the tunnel. As you know, quite a number of years ago, by mutual arrangement with the Canadian National we arranged to operate the Lakeshore service and the Canadian National operated through the tunnel to Saskatchewan North. In the present state of the development of Montreal I think it would be almost impossible to join our tracks with Canadian National in the heart of Montreal. I am not aware of the state of negotiations of Canadian National with the City of Montreal to tie in the tunnel in some manner with the new subway system which will be opening late this year; but I should think that the opening of the subway system in Montreal is going to change the complexion of that picture very markedly. I think there were one or two other questions.

Mr. SINCLAIR: Another question was that if there was an effective demand in a commuter area that was not now being served, would Canadian Pacific be interested? The answer to that is on those hypotheses definitely yes.

The next question was, did we have an intention to operate the Dominion in our centennial year to Expo?

The answer to that is that matter is before the board and they are going to look at the situation as it develops in 1966. However, we certainly are watching the developing traffic trends and trying to assess them. There is more than one way of increasing capacities and re-establishing the Dominion. It might be that these are spot movements and we might have to look at a section of our main train, or something of that nature. I would not think it would be wise to certainly say at this stage that the way to handle that problem—if it is going to be a problem, and I do not think anybody really knows that yet—would be by re-establishing a train, because our marketing will be and has been for some months now, and our future marketing is dove-tailed into the name "train" and this is a factor which I think bears on that question very materially.

Mr. ROCK: In other words, in this subject—if I can get this right—you intend to extend the Canadian?

Mr. SINCLAIR: That was a way of looking at it. For instance, for operational reasons it might be very much easier for our operational practices and our track occupancy to handle on a section basis rather than on setting up a train that would go on the change of card on our time tables and then have to be annulled and people have got to keep clear of it and one thing and another like that. It might be that it would be of greater assistance to us. These are things that would have to be considered. All I am suggesting to you is that there are other ways of increasing capacity in a short period and on a spot basis than re-establishing.

Mr. CRUMP: May I just add something here Mr. Rock, in regard to Expo '67? I am not trying a pitch for it but I have been doing this in western Canada. I feel that Expo '67 is so important to Canada we simply cannot fall on our faces—I am speaking of Canada as a whole. There are over 70 countries already signed up and this will be the greatest show nationally that has ever taken place in Canada. I think we could leave it on this basis that Canadian Pacific is doing quite a job at Expo in the way of pavilions, and we will see what the prospects are, but Expo cannot fail and Canadian Pacific will do its part in

whatever is necessary to be done. As Mr. Sinclair said, the Board has ordered us to retain this equipment, to test the equipment; this will be done, and as the time gets closer we will decide what must be done.

The CHAIRMAN: Have you a supplementary, Mr. Olson?

Mr. OLSON: To Mr. Sinclair; can we expect a decision from Canadian Pacific some time soon so that the planning for how people are going to be accommodated for this extra transportation requirement in 1967?

Mr. SINCLAIR: Mr. Olson has seen by experience at Canadian Pacific that planning that far in advance is not done; I would be very surprised to see people specifically planning before the very end. Possibly it would be the very end of 1966 before they start setting up for 1967. One of the most amazing things that is happening in transportation is the small lead time that people are now getting into the habit of using before they make travel plans. The pattern is changing rapidly, and, as Mr. Crump said, we are watching the situation very carefully. We have, as you know, some ways of knowing what the demands are going to be; the Canadian Pacific has a new hotel, the Champlain, that will be opened late this year, and we have other ways of assessing the demands.

Mr. CRUMP: Another point that is very interesting, and I am digressing here if I may, Mr. Olson, for just a second. The entire direction or force of Expo for some months now has been towards getting participation in the exhibits. They have felt that it is too early yet to turn on the pressure for the public attendance and that will come toward the end of this year, because if they turn that on too soon the interest subsides. I know this is the feeling of Expo.

Mr. OLSON: They had a very unusual pre-sale of so-called passports, did they not?

Mr. CRUMP: This is a new merchandising gimmick, and you save a lot of money by it.

The CHAIRMAN: Mr. Rock, have you finished with your questions?

Mr. ROCK: Yes. If I could just ask what comments you have on the statements I made about the impression the people have about the words "Dominion" and "Canadian". In my opening statement, I said at the time that many people thought that you were opting out completely. In fact, that many of the large cities out west were not even going to have a train service across Canada.

● (8: 10 p.m.)

Mr. CRUMP: This is the first time, Mr. Rock, that I have heard that. It is perhaps a perfectly natural mistake. I would like, if I may, to feel that the Canadian National has not got the whole claim to the word "Canadian".

The CHAIRMAN: Mr. Honey?

Mr. HONEY: Thank you, Mr. Chairman. I wish to thank the delegation from the C.P.R. for their brief today. This has been very helpful to the committee and it has been helpful, I would think, for the C.P.R. to get their position on the public record, particularly in view of some of the criticism and publicity in the recent past.

I would like, Mr. Chairman, to make an observation and maybe ask for comments on it, and then to ask the question, and I shall leave it at that. The observation, Mr. Chairman is this, and this has been made by the members, Mr. Olson particularly, and Mr. Allmand, with respect to the definition of effective

action or effective demand, as it is used in the brief, effective demand for passenger service. I am not satisfied that your definition of effective demand is what the House of Commons had in mind when it used those words in the terms of reference. Your statement in paragraph 3 of the summary of your brief to the effect that the policy of the company has always been and will continue to be to meet the effective demands for passenger service. It seems to me, and I would like the comment of the witness on this, that this cannot be a meaningful statement unless you can assure the committee that your marketing program, and with that I include regulations in sales and so on, effectively transposes the requirements of the public or accommodates the requirements of the public in the matter of services which are available to the public. That is the observation I wanted to make, and I take it, it was made before, but I wanted to put it on the record because I think it is pretty basic to the considerations that this committee will have.

Mr. CRUMP: It could well be that there is a different interpretation upon the effective demand. We as management have the interpretation that we have laid out in our brief. If the government or the House of Commons has a different one, of course, this is perhaps a healthy disagreement. We know who we know, naturally. But we feel fairly strongly that the definition that we have used is the proper one for us, because we have attempted to merchandize our trains as vigorously as we know how, and I think the success can be measured on the Canadian. How else are we going to measure? How do you measure effective demand?

Mr. HONEY: Mr. Chairman, it probably is the responsibility of your company, sir, and in the terms of this reference, and in view of the comments which have been made here today by members of the committee, to satisfy the committee with reference to the Dominion, not the Canadian, that you in fact did all those things that you should reasonably have done to merchandize the available services on that train.

If you can give us this evidence, then I think probably we are not going to be too far in disagreement on this particular point.

Mr. SINCLAIR: I would like to say this, that in our brief we did make reference to the facts in regard to this; that the use of the Dominion was minimal, and we ran ads of twinning across the country; we put the only dome—the only long-distance dome—we had the only dome in Canada for a good many years, and then the only long-distance dome. We had planned those for the Dominion and publicized them hard, and we did not have a full concept of stainless steel as we did in the Canadian and there was no way we could do that, but we certainly did merchandize it. We tied it into Banff and Lake Louise; we tied it into packages, and it was from 1960—that is six years ago—that we could not operate a consist on the Dominion on a full basis throughout the year. Then starting in 1964 we even lost the business that was working through the States with the Pullman Company where we ran a connection via Winnipeg through to Vancouver. The statistics have shown, and we made reference to this in our brief, a continuing decline. If you take out the loss to our traffic that we stimulated and deduct that from the carrying in the summertime in July and August, there was hardly anybody on the train, averaging only 36-70 people on the day.

I think possibly there is a misconception as to what we have tried to do. Our tremendous drive in regard to marketing started in about 1954-55 and went on at a very heavy pace until 1960. We then had demonstrated, and that study showed what we were faced with. Then when we came in with the Faresaver which was at the end of 1963, as I did explain earlier to the committee, these were loss rates and you just cannot adjust them upwards and get any business.

While I agree—and I said earlier to someone else—that it is our duty to do it. We do not need any stimulus to do it. We are on an effective demand basis because there is an advantage in having a service that has an effective demand because you make a dollar. We have not lost faith in Canadian Pacific yet, notwithstanding the troubles we have had. We have not lost faith in the Canadian by a long way. We feel and this is Mr. Crump's approach to it, that we are not going to divide the traffic across there; we are going to make the train have a greater chance of viability than it would if it were competing against another one operated by the same company.

We recognize our problems in reservation, and I accept your point that effective demand requires active, imaginative marketing; and I want just to point out if I may to you, sir, and to the committee, that when we were running in the travel pages a composite in which we got the dominant piece of every travel section of every week-end paper in Canada in which we gave them alternatives—air, steamship, rail, and one of our other services—money orders, something like that—and we took the whole quarter and we got the front page position in these papers by buying that much space. We have marketed this thing in what I would call the specialty magazines and the travel magazines, and among the educational field, the educational publications, and we have tried, we have hired the most effective advertising media advice as to presentation—and I am not talking just about "The Canadian" here, I am talking about "The Dominion"—and these things just did not work. The reason is that for example, Toronto to Sudbury is a pretty good automobile drive. People know what has happened to the highways of Ontario, to take an example. There are excellent highways. Then—and I know one member of your committee is knowledgeable of Ford Motor products—there is a very racy job into which you put a gadget, a long-playing tape. These are all factors that are affecting the public choice, so our market is being restricted. If you dissipate that market, you are going to hurt our chances of viability on "The Canadian". Thank you very much, Mr. Chairman.

Mr. HONEY: Mr. Chairman, I first want to give a bit of ancient history because it is relevant to page 21 of your brief. I am referring, Mr. Chairman, to the Toronto-Montreal service and the Toronto-Ottawa service, which Mr. Crump has already indicated earlier today is now being resolved with the Canadian National Railway taking over those two services. I might say that the area which I represent is east of Toronto in the Bowmanville-Port Hope area. This area was directly affected, and I had very many complaints by constituents in that area. When I say it is past history, it is relevant to page 21 of your main brief where you say that:

Suggestions have been made that the company has deliberately downgraded its passenger trains with a view to discouraging passengers from using them and subsequently eliminating the service. This is entirely without foundation.

I think it was on October 31st that the pool service was terminated; and it was sometime in February that the C.N.R. eventually took over. From the actions of your company and of the C.N.R.—and you may want to apportion the blame—it seems to me that mainly the C.P.R. was responsible for this situation which seemed to disregard almost entirely the rights and the convenience of all the area from Toronto to Brockville that wanted to go to Ottawa, save for your dayliner service from Toronto to Peterborough. But the people along the lakeshore had to then take the C.N.R. train from Toronto or Oshawa, Port Hope, Cobourg, or intervening towns to Brockville. Then, under the pool arrangement, as you will recall, they took a dayliner which connected there—platform connection—and went to Ottawa.

My information is—and if I am incorrect you will correct me—that your dayliner left Brockville in a matter of eight or twelve minutes before the C.N.R. train arrived in Brockville. It seems to me that the scheduling of the departure time of your dayliner from Brockville made it impossible for people in that area of Ontario to go to Ottawa by train, unless they stayed over in Brockville for a period of twelve hours or whatever it might be, and caught the next dayliner.

● (8: 20 p.m.)

I had people tell me—and this is hearsay evidence, but you will know whether it is correct or not—that on one occasion in particular, your dayliner left Brockville five minutes before the C.N.R. train arrived carrying one or two passengers, and that there were several passengers on the C.N.R. train who would have used that connection if it had been available, but your dayliner had pulled out ahead of time. In fact, the schedule showed it would pull out ahead of time. Now I relate this to you because I think it indicates, if there is any substance to it—and I believe there is—a rather callous disregard on the part of your company or the C.N.R., or both of you, for the people who were using the Toronto-Ottawa service in that period of time. Thank goodness it is now resolved by the C.N.R. taking over the service.

Mr. SINCLAIR: First off, I would like to say that our schedules were set up before the C.N.R. schedules were announced and, if the matter had not been resolved, I am certain that we would have resolved that connection problem. It was a problem that was very basic to us. When we first set up the schedules we were only operating as far as Smiths Falls, and then we went over to Brockville; and when we first started to operate we did not go between Smiths Falls and Brockville. We were prepared to give the Canadian National running rights over our tracks between Brockville and Smiths Falls where the connection could have been set up with us.

As you may know, part of the arrangement that we had with Canadian National, under the auspices of the Board to take over the service, we are providing running rights over our tracks between Brockville and Smiths Falls and that was always in the picture. I agree with you that this took a lot longer to resolve than we anticipated. Because these negotiations were going on—and looking back this was maybe a mistake—what we agreed to do among ourselves, the two railways, rather than say we are suggesting this, we are suggesting the other thing, was that we would not say anything; we just hoped that we could get this thing worked out. As a result, many of the situations to which you made reference arose; and I certainly agree with you that it was not good. However,

when you make a deal about the way you are going to conduct something, you are hoping that tomorrow, or the next day or the week after, it will be resolved, and that will not be as long drawn-out as it turns out to be. You must remember that the Canadian Pacific were most reluctant not to provide service between Canada's two largest cities and between the capital and Toronto. However, the demand in this area is viable, I think, with the single operator but not when dissipated between two operators. I know that one of the C.N.R. trains was operating very full, and the other very light. Unfortunately, we had a platform connection instead of a coupled connection. If we had continued to operate we would have operated with coupled connections. These things were all going on in the two or three months that we were operating separately in there, and I can understand you saying how many people might have come to the conclusion that they did come to. It seems the Canadian Pacific in these negotiations was having a difficult time, and so was the C.N.R. We were both in a difficult position.

Mr. HONEY: Just one last question. Would you agree with me that it would have been a reasonable thing to do in this period, for the convenience of the large number of people while you were negotiating, to have readjusted the schedules by five or eight minutes, or whatever the case was, so that these people could have been served.

Mr. SINCLAIR: It certainly looks like it in retrospect. But I say, "You are the Canadian National; you adjust yours and connect with mine. I am working this way. I don't want to set back my time out of Montreal; I don't want to offset my connections; you do it." And he says, "No, I am not interested, that's your piece." And you go back and forth like that.

Mr. HONEY: If you were running a dayliner service from Brockville to Ottawa—and I acknowledge—

Mr. SINCLAIR: If it didn't want to go beyond Smith Falls.

Mr. HONEY: In the latter two months of this period, say?

Mr. SINCLAIR: That is correct.

Mr. HONEY: In fact, operating a dayliner service from Brockville to Ottawa, with respect—and I will acknowledge my ignorance of railway operation—it would seem to me much more reasonable for the C.P.R. to have adjusted that relatively small service, if I can call it that, as compared to the C.N.R. mainline service.

Mr. SINCLAIR: Really not. Because the connection was important at Smith Falls for the people who had come on our train to Smith Falls, and any setting of it back was necessarily going to take the large number of people on the prime Ottawa service who were standing around at Smith Falls waiting for this connection over from Brockville.

Mr. HONEY: For a matter of 10 minutes.

Mr. SINCLAIR: Well, that is a matter of 10 minutes, but I suggest to you that you cannot make connections on a basis of minutes like that. You have to have at least 10 or 15 minutes extra. So what you are really talking about is maybe 20 minutes or half an hour minimum that you are adding into the large flow of traffic to take care of what I would agree is an important group of people at Port Hope, but there was not as many of them as there were in the large flow from Toronto to Ottawa.

Mr. HONEY: There would have been many more if you had in fact been operating this service. This is my very point that you don't get passengers when you cannot give them a service they can use.

Mr. SINCLAIR: But I still say, with respect, that the big traffic flow is Toronto-Ottawa, not Port Credit-Ottawa. There is no doubt there would have been additional passengers. I agree with you that it was not well handled.

Mr. HONEY: Thank you. I think we are agreed on it. Thank you very much. Thank you Mr. Chairman.

Mr. SHERMAN: Mr. Sinclair, I would like to join with other members of the committee in thanking you and your colleagues for being with us today and being so helpful.

I would say at the outset, sir, that I am a private enterpriser, and I do not believe in throwing good money after bad; I do not believe in sustaining a losing proposition, and I think that the C.P.R. has a case for abandoning its "Dominion" service. I do not think I am convinced entirely of the logic and rationale of the case at this point, and I am sure that the people of western Canada are not convinced of it. I do admit and believe you have a case gentlemen.

Mr. Sinclair has stressed at some length today the importance of marketing; marketing "The Canadian" and marketing the services. If I may be so presumptuous, sir, I would suggest that you perhaps have a job to do in marketing your argument to the people of western Canada that the abandonment of "The Dominion" is in the interests of the people of western Canada and the interests of the nation, because I think I can say, coming from Winnipeg, that the people of western Canada have some considerable doubt about this argument. Perhaps this is a job for your public relations department, I am not sure. But the argument has not been marketed successfully.

● (8: 30 p.m.)

Mr. Crump said for example—and your brief points this out—that the C.P.R. has not deliberately downgraded its rail passenger service. Mr. Crump said we have taken off trains and cars only where the effective demand has disappeared. I do not think the people in western Canada generally subscribe to this view. I think it is in conflict with the widespread general view that the service perhaps was downgraded before the patronage fell off. This may be an unfair suggestion, gentlemen, but we are being frank in this room and I think it is a question of which came first, the chicken or the egg—the downgrading of the service or the disappearance of the patronage.

Mr. Sinclair obviously has a feeling and a love for history, and as a sometime history scholar myself I sympathize with his sense of the role that the C.P.R. plays and has played in the Canadian scheme of things. I wonder, though, whether the Canadian Pacific Railway Company feels that its job, its responsibility in our national job of nation building, is complete. I do not believe that the C.P.R.'s job in the national task of nation-building is any more finished than my job or the job of everyone in this room, or the job of everyone in this country. I come from a private broadcasting background, as members of this committee may know, but I subscribe to the existence of the C.B.C. and the role of the C.B.C. I would not want to live in a Canada which had no C.B.C. The C.B.C. cannot be called a money-making proposition, but the C.B.C. has done a tremendous job in moulding and uniting the Canadian

identity in so far as it has been moulded at this stage in our history. So has the Canadian Pacific Railway Company; and I do not believe for an instant that its job is finished or, even as a private enterpriser, that the profit motive is the only motive.

I think, Mr. Sinclair, when you refer to southern Alberta and Alberta points, as you have on occasion in your arguments and in your succinct and trenchant presentation today, that you are taking the lotus land in Canada in the mid 1960s. We all know how prosperous southern Alberta and Alberta in general is.

To take examples of the economic situation in Alberta is not necessarily valid in the part of the country I come from. In Manitoba, particularly in western Manitoba and even to a certain extent in Saskatchewan, we are struggling for our place in the Canadian transportation picture and the Canadian economic picture. I wonder whether in your examination of this subject—and I ask merely for information—you have examined in detail the impact that the elimination of this service may have on the economy of places like Brandon, Swift Current, and western prairie communities of that kind and that size. I am not worried about Calgary; Calgary is doing all right. Winnipeg and Brandon and some other points in the west are not doing quite as well, and we rely on the transportation sinew and the transportation artery to sustain us in our struggle for a place in the economic sun in this country.

I am disturbed also by one or two suggestions that are contained in the brief for the submission to the Board of Transport Commissioners published in October, 1965 by the Brotherhood of Locomotive Engineers under the signature of Mr. J. F. Walter, Assistant Grand Chief Engineer. Leafing through this brief I note on page 6—and I wonder if I may have your indulgence to quote, gentlemen—the Brotherhood makes the point that:

During the years "The Canadian" has been in existence it has become a world famous train. This level of excellence has not been reached by operating a transcontinental local train. The standard has been maintained by strict adherence to a schedule designed to produce good riding qualities by maintaining a constant speed across the country, elimination of unnecessary stops and maintenance of on-time performances. The men I represent—

That is Mr. Walter again—

—tell me that it is not possible to maintain the high standard of performance previously called for on "The Canadian" and handle the extra work taken over from "The Dominion". There is a general apprehension that "The Canadian" service will deteriorate to a point where the public will not ride this train either and then all will be lost. It is not too many years ago that "The Dominion" did not do local work and the removal of many local trains contributed to the deterioration of that service.

As I say, gentlemen, I am exercised to a certain extent by that argument, valid or invalid, and I leave it to your comment to persuade me which side of the argument it should rest on. I am exercised by that kind of argument and by the general consensus of people I have talked to in the West, who insist that their attempts to patronize "The Dominion" in recent years has met with considerable rebuff, disappointment and unhappiness.

To revert to my original point, in closing—and I realize I am not really asking questions in order here; I am making a statement and I would appreciate a comment on it at your convenience—I believe the argument for eliminating this service has, to use your term, Mr. Sinclair, to be better marketed in western Canada if you want me to support you in my constituency and others to support you in their constituencies in this program that is now under way. Thank you for your attention.

Mr. CRUMP: I would like to address Mr. Sherman, Mr. Chairman.

First of all, perhaps you are right in the last statement you made. I readily admit that.

I think we are all in Canadian Pacific proud of the part that Canadian Pacific played in past history. In the beginning it was the only live corporation of its kind in the West, as you know. When we built out West, Captain Butler was sent out by the small province of Manitoba, immediately after Confederation, to explore the unknown land west of Manitoba. You may have seen his book "The Great Lone Land"; to me that describes western Canada—that is west of Fort Garry in 1875 or in about there. But we do not expect to stand on our laurels in that regard for one moment. History is valuable and points a way to the future, but it does not necessarily point the only way to the future.

I suspect that through the years, back since 1881, Canadian Pacific has been the largest taxpayer in Canada—that is for the last 80 years—and I am proud of this.

Mr. ORLIKOW: After Winnipeg.

The CHAIRMAN: Let us not get into an argument on that score right now, Mr. Orlikow.

Mr. CRUMP: Canadian Pacific has been the largest taxpayer in Canada. Perhaps it is not at the moment but certainly it has been over the past 80 years, without doubt. And we are proud of this because this is a contribution to the progress of our country.

I hope that we can play an important part in the future of Canada, which is the real point you were getting to. Naturally we cannot play as important a part in the future of Canada, in view of the development that has taken place in Canada, as we did in the past; but we have always tried to be a good Canadian citizen, and I hope we always will be.

In regard to the marketing of the idea, I recognize your point.

● (8: 40 p.m.)

Mr. SINCLAIR: I think that leaves one part of what was said, Mr. Chairman, that we have not dealt with. Mr. Crump did not deal with Mr. Walter's remarks.

Mr. CRUMP: Let me deal with that.

Mr. SINCLAIR: I thought he wouldn't let me have that!

Mr. CRUMP: I am sorry I overlooked it.

Mr. SHERMAN: He has been close to locomotives all his life.

Mr. CRUMP: I might add also that when we were running trains during the latter part of the 30s and the beginning of the 40s from Winnipeg to Regina, from Brandon through Neudorf to Regina, I can vouch personally for the patronage on those trains, and it was pretty slim.

Before I get to Mr. Walter's remarks I also want to draw your attention again to the two meanings put on the word "downgrading". Downgrading to me, as I mentioned this morning, was what so many of the United States railways have done; that is, let their maintenance go to pieces, let their service go to pieces, filthy cars; that sort of thing. This is what we have not done and do not intend to do.

But perhaps if you are referring to downgrading in the sense that after the patronage has left the train, we start to take cars off, then that is a different thing. We have tried to tailor the consist of these trains to the patronage that we receive; and if you wish to say downgrading is taking cars off then, yes we did that. But that is not the connotation in which I use it.

In regard to the brief you mentioned, I happen to know a great deal about this because I think I was primarily responsible for setting up the original schedule of "The Canadian", and I made the first trip across the country on it, and have made many since. The additional stops that have been put in have not been many. We added an hour or an hour and 10 minutes, which makes it 71 or 72 hours or something like that across the continent. I have no fear whatever---and this is after riding a good many hundreds of thousands of miles in Canada and other countries in locomotives—I have no fear whatever but that we are able to maintain the schedules.

Mr. SHERMAN: I have no further questions, Mr. Chairman. I appreciate the replies to my commentary.

The CHAIRMAN: Mr. Carter?

Mr. CARTER: Mr. Chairman, it is evident from what has been said so far today that the nub of this question revolves around the concept and definition of effective demand. Now we have been talking about it in rather general terms. We have been told that the effective demand for "The Dominion" is such that it should be discontinued. At the same time, the situation is such that "The Canadian" can be continued. Does that mean that there is at this moment an effective demand for "The Canadian" as compared with "The Dominion", or is there not an effective demand for "The Canadian" as well?

Mr. SINCLAIR: The answer to that, Mr. Carter, is that as of this moment "The Canadian" is operating at a deficit. We have not—and I underline that—given up hope that we can make that a viable operation. How are we going to do it? This may require fare adjustments; it may require things other than are now in existence on that train.

As I said earlier, the patronage that will use trains is not being dissipated. The market is shrinking, but nevertheless we are hopeful. If we cannot make it viable then I think, if I may say so, as Premier Duff Roblin said, and we quoted him, we are up against the recommendations that are in the MacPherson Report. Canadian Pacific thinks, Mr. Crump thinks, and I think that—as I am sure you will find the office corps and many of our employees think—this name train is in the national interest. What I am saying is that there is certainly no effective demand for two trains across on our lines. There just is not; and there is no hope of developing it or stimulating it. But we do think that we can do it, possibly with one; and if we cannot, then we are faced with a different problem.

Mr. HORNER: The percentage of occupancy of "The Canadian"—

The CHAIRMAN: Mr. Horner, will you allow Mr. Sinclair to finish?

Mr. HORNER: On the same subject, I think that he should let us judge. It would make it much more clear to the committee with regard to effective demand if he gave us the percentage of occupancy—in summer and in winter—of “The Canadian”. This is all I am asking, it is a simple question.

Mr. CARTER: I was going to put the same question but in a different way. We have been talking about the effective demand—either you have it or you do not. What I would like to have, if it is possible to give, perhaps it is impossible to give it in mathematical terms; how far below the effective demand is “The Canadian” and how far below the effective demand is “The Dominion”. Is it possible to express that in percentage terms?

Mr. SINCLAIR: There is no question about this. As I say, “The Dominion” has not had an effective demand for the transcontinental consist service since 1960; and it has not been run that way. It has been run as a consist train only in the summer time; and this was only handling lost traffic that we had assimilated in the United States.

You heard what Mr. Fawcett said here in the committee this afternoon. He said that, as an operator on another railway, what we had told the committee was in accordance with his experience; that the change was moving this type of traffic off these trains. This has all these factors in it. There is no question about it that taken right at this moment and in 1965’s “The Canadian” suffered very substantial losses. But the train is operating right at the present time with all kinds of space on it.

Mr. HORNER (*Acadia*): What per cent?

Mr. SINCLAIR: Just a minute, may I finish what I was saying?

We have operated “The Canadian” as a full concept train 365 days of the year. We have not done that for over 5½ years on “The Dominion”, and at existing fare levels as I said earlier—and I repeat, at existing fare levels—you could not bring “The Canadian” to a break-even point with a 100 per cent occupancy 365 days of the year.

That means only thing. You have to have fare adjustments or you have to improve efficiencies in the maintenance on this train.

We believe that there is a segment of the public that will pay more than they are paying at the present time. The experiment in regard to abnormally low fares, the fare-saver fares, has failed. It has demonstrably failed. Therefore, we have to go from this point forward to bringing this train into a viable position. And I say again, if that fails we are faced with a different problem.

Mr. CARTER: One page 15 of your main brief you give a breakdown of your deficit. The total deficit was \$23.9 million. I take it that is for both trains.

Mr. SINCLAIR: No, that is for all passenger services on the Canadian Pacific—all of them. That is the entire passenger service of the Canadian Pacific.

Mr. CARTER: That is including branch lines and everything?

Mr. SINCLAIR: Everything.

Mr. CARTER: Do you have any comparable figure for “The Canadian” and the “Dominion”?

Mr. SINCLAIR: Our transcontinental service, it was estimated, accounted for approximately, I think, three quarters of that \$23 million.

Mr. CARTER: That would be for both “The Dominion” and “The Canadian”?

● (8: 50 p.m.)

Mr. SINCLAIR: Yes, sir, based on 1964; so that is three-quarters of \$26 million.

Mr. CARTER: Yes, but you do not know how much of that was lost by "The Canadian"?

Mr. SINCLAIR: We in 1964 said that the loss on "The Dominion" was approximately \$10 million, so three-quarters of \$26 million is \$9 million.

Mr. CARTER: \$9 million.

Mr. SINCLAIR: Now since those figures were prepared reflecting 1964 conditions, we have got some traffic on "The Canadian" that is assisting that train. After reading what happened in Winnipeg the other day, I do not know whether I should say this, but we are moving some pretty good traffic on "The Canadian" that is assisting that train. We are also moving some mail on it that we did not move on it before.

Mr. CARTER: Is this new traffic?

Mr. SINCLAIR: Yes, new traffic. Unless we did a specific study, Mr. Carter, I could not tell you. And we do not do these studies unless we are in the process of studying a proposal to remove, and Mr. Crump has made it clear that we are not contemplating in Canadian Pacific the removal of "The Canadian".

Mr. CARTER: Well, this idea then is that if you eliminate "The Dominion" you will to some extent increase the effective demand for the other one?

Mr. SINCLAIR: That is correct.

Mr. CARTER: But you have not carried out any specific research to get any concrete figures on that?

Mr. SINCLAIR: Of course, Mr. Carter, in specific research, the proof of the pudding is in the eating. You can study trends and you can study various things, and we think some indications look a little more favourable right at the present time than they have been for this train; and then all of a sudden it goes off. I think travel on "The Canadian" has been adversely affected by our western winter this year. I do not think there have been as many people moving out there as might normally move in a more open winter. There has been that much snow, but it has been very cold.

Mr. CARTER: Do you anticipate that the figures for 1966 this year will be worse than the \$23.9 million?

Mr. SINCLAIR: Sir, I would think that that figure would fall subject only to this: We are faced with increased material prices, and we are also faced with very exceptionally high labour demands. I could not answer your question until both of those things are behind us.

Mr. CARTER: I am prepared to accept your concept which you have embodied in this definition of effective demand. I am prepared to accept it, but I have a little difficulty in reconciling it with what you call the national interest because you base your case for eliminating "The Dominion" on the point that it is not in the national interest to invest \$60 million a year or \$600 million over a period of 10 years in that venture. But at what point do you reach the conclusion that it is no longer in the national interest to operate "The Canadian"? There must be some point somewhere.

Apart from the fact that the equipment is good for 10 or 20 years, if you cannot get the traffic you want, you will be using this investment. I suppose what I should say is that the productivity of this investment will fall to a point where it will not be in the national interest to continue to operate "The Canadian", if you follow the logical argument for "The Canadian".

Mr. SINCLAIR: Mr. Carter, I am sorry; it is my fault. I am not making myself clear if I have left you with that impression. The point is this: In economic terms, if the train is not viable, then in the national interest to prevent misallocation of economic resources it should be removed. However, when you come down to a situation—one example would be where there would be no alternative method of transportation—that does not apply here. But that would be one, for the national interest would supersede that, and that is what Mr. Roblin said, that is what the Royal Commission said; under those circumstances then it becomes a problem for national government. Now, that is a different type of national interest than rises from the economic fact of allocation of resources. Let us take as an example that the railways—so we will not get into any trouble—the Quebec North Shore and Labrador. Assume with me, it is not a fact. But if you will, assume with me that that train could not be operated viably. That these ore trains that go from Schefferville and Wabush down to Sept Isles could not make an economic return. In the national interest to get that ore out it might be, I think it would be, to the interest to someone to put that railroad and keep that railroad operating by grant.

Mr. CARTER: I understand that, but that would not be a managerial decision of the C.N.R. I am just talking purely from the standpoint of management.

Mr. SINCLAIR: Well, as I said to you from the standpoint of management, then you are faced with the problem if you follow the philosophy of the government of the province of Manitoba, if you follow the philosophy of the MacPherson Royal Commission, and if that philosophy would go into legislation as was proposed in Bill No. C-120, that problem would automatically solve itself.

Mr. CARTER: Now the other problem that I find—and possibly other members too—is this concept of effective demand, which you defined as having enough people demand the service that you can supply at the cost that they are prepared to pay and recover the cost of providing it. The cost of providing that service is what is an important factor in it. I think it is impossible for me to comprehend such a complex operation where you are hauling freight, you are operating the Dominion, you are operating the Canadian, you are operating branch lines, you are operating freight, you are carrying mail and so on. Are you apportioned particular costs to any one particular train?

Mr. SINCLAIR: And do it?

Mr. CARTER: Yes.

Mr. SINCLAIR: Well I do not think it is that complex. Ever since 1956 we have had a uniform classification of the cost applicable to railways in Canada. Under that classification the accounts are checked in a certain way and certain of the costs attributable to a given kind of operation are segregated in the accounts of the company on a primary accounts basis. It is not difficult at all to

determine the fuel costs of operating a given train. It is not difficult to determine the crew costs of operating a given train. It is not difficult to take the lubricating costs. What does become more difficult is when you get into joint costs. That is, when you get into the sum of the things we were discussing here earlier, road maintenance. Before you used to make arbitrary decision; there were what we call engineering formulae were attacked as being arbitrary. Then the technique of analysis that we were discussing earlier came into being and its application to railway costing has evolved over the last ten years.

I hope you will pardon me for saying it but in Canadian Pacific we were taking a very leading part in the development of that technique. We have a honoured place in sharpening up those techniques. Now, I am not saying that they are finalized yet. We are still in the process of learning, and we can sharpen them up but the work now can be used with confidence and all people that have done this type of work are prepared to admit. I have never heard anybody take an opposite view—that the application of regression analysis to joint costs does not properly apply, give a figure that can be applied with confidence. That does not mean it is pin on pin.

● (9: 00 p.m.)

Mr. CARTER: There are so many other factors going into that because you have on the opposite side people to be served and you have an increase in population. You have a growth of population. Are you not maintaining the same number of passengers that you had when your train was going out in spite of population growth?

Mr. SINCLAIR: Oh, no. The total number of passengers are falling. I do not know, Mr. Carter, if you know this but I have a young family and the friends come around our house; and I do not know of any of them that when they think of travelling think of trains. They think of airplanes and cars. There are thousands of young people in this country who you could not get on a train. Let me give you an example, I know people who leave downtown Ottawa to go to downtown Montreal at the same time the train is leaving. I defy you to leave this place, go to the airport, fly to Montreal, to Dorval, and get downtown as fast as you can walk down the street and get on the train. Yet they go on the airplane. Why, because they are motivated to air travel. There are people that you just cannot get off airplanes.

Mr. HORNER (*Acadia*): You cannot get a reservation on a lot of trains either.

Mr. SINCLAIR: Well, I will try to answer Mr. Carter.

The CHAIRMAN: Mr. Carter, I hope you are nearly through because there are eleven other people here. I do not want to cut you off but I do want to give them an opportunity to ask their questions.

Mr. CARTER: Well I do not want to pursue that line any further. I think it would be helpful though, because we have been coming back to this effective demand—it is a nebulous thing, because you have so many factors. You have people, you have population growth; you have fixed costs, you have variable costs, you have schedules and you have all sorts of things in it. I find it almost impossible to come to any sort of concrete figures. I am prepared to accept your

word but as for checking back and satisfying oneself, it is possible when you are doing it yourself to prove your own argument with your own figures.

I am going to try to get some sort of yardstick of my own that I can satisfy myself with, you see?

Mr. SINCLAIR: I do not think, Mr. Carter, that it can be done quite that easily. As I said to you we used engineering formula—for instance, a formula that was well known. It was called the “Jaeger” formula, and it was attacked. It was worked out by a civil engineer on road maintenance for the division between various types of weights and speeds of road maintenance. It was attacked as arbitrary and it was felt that regression analysis was a major step forward and I just do not think it is possible. We could talk here, Mr. Chairman, all night.

The CHAIRMAN: That is what I am thinking about right now.

Mr. SINCLAIR: We cannot bring it down to any more simple terms than we have tried to do.

Mr. ROCK: On a point of order. In order to help out the officials of the C.P.R. I am just wondering if they are aware of the fact that each member here has received a copy of the judgment rendered and also the supplementary judgment in which you have a lot these costs, you have a lot of these figures, and if anyone asks a question you can possibly just refer the judgment to them which would speed up the hearings.

The CHAIRMAN: Thank you, Mr. Rock.

Mr. RAPP: Mr. Chairman, I would like to direct my remarks to Mr. Crump or Mr. Sinclair. Today we are faced with—by today I mean the time has caught up with us—abandonment of a passenger service. We also know that there are going to be thousands of miles abandoned in the prairies. You people have not said so but the C.N.R. has indicated that thousands of miles of railway will be abandoned. Have we not reached the point where some of these services will eventually be accepted by the people and there will be air travel and maybe car travel, and so on, I have particularly in mind the freight service in Saskatchewan at the present time. And in other prairie provinces where we cannot move our grain. Would it eventually be a better thing for the prairies, and for the rest of Canada, if some of these services were to be applied for moving grain?

The CHAIRMAN: We are going into a field here that we discussed this morning and we want nothing to do with grain movement at this time.

Mr. RAPP: I will stop right here.

The CHAIRMAN: Please confine your remarks to passengers right now.

Mr. RAPP: Mr. Crump has not the time now but we must take this into consideration. Passenger service must be curtailed and other service—and I am not going to repeat that word again—

The CHAIRMAN: Mr. Rapp, I am sure you appreciate my position and the position we took this morning.

Mr. RAPP: How long will it take before that change is implemented?

The CHAIRMAN: Mr. Rapp, with all due respect, perhaps you would phrase your question a different way. I do not wish to open up the hearing completely now. I realize the C.P.R. mentioned grain movement in the main brief, but I do

not want you to open up completely right now the problem of grain movement with respect to passenger service. If you can rephrase your question as to just passenger service I will allow it.

Mr. RAPP: Well I think Mr. Crump has an answer to that.

The CHAIRMAN: Stay away from grain movement.

Mr. CRUMP: I think we have reached a stage in Canada where the passenger is leaving the rails for air and the highway and I think this is amply demonstrated in the statistics by D.B.S. on the inter-city passenger miles. I think we are ahead.

The CHAIRMAN: Is that all right, Mr. Rapp? Fine, thank you. Now, I have a problem facing me. When Mr. Tolmie asked his question this afternoon, he said I did not allow the witness to answer his question. Now I do not recall it. Before I go around the second time there are others I wish to call who have not asked questions before. Mr. Tolmie, if your questions were not answered, I apologize. Somehow I got a little mixed up here as to whether they were or were not answered.

Mr. TOLMIE: Mr. Chairman, it is not anyone's particular fault. We more or less got off the rails. I posed three questions to Mr. Crump and in the process of answering them there was a diversion from one of the other members and he asked further questions.

The CHAIRMAN: If it was my fault, I am sorry for it.

Mr. TOLMIE: I think it was your fault this time.

The CHAIRMAN: Pose your questions fast, Mr. Tolmie. I will let them be answered and then I will move on to Mr. Ormiston.

Mr. TOLMIE: I do not think Mr. Crump recalls them. I mentioned section 16. Mr. Crump, where the observation was made that no instance has been observed of impairment of the economic or social development of any community caused by reduction in rail passenger services. Now that seems to imply that there has been no really drastic development in regard to economic failure or social failure in any particular community. But the question posed does not answer the claim by many communities that there has been a substantial inconvenience caused to individuals—frustration. Things that are more or less intangible. I wanted to make that comment. It seems to be a blanket statement that it really has not affected communities and I take issue with that particular statement.

Now, there is another point I made and that was this: I think the main argument has been that in a country as large as ours with a relatively sparse population, it just was not economically feasible to maintain passenger rail service. You have mentioned, other people have mentioned, that in certain densely populated areas of Japan they have a type of specialized commuter service. My question was, does a forward looking company like the C.P.R. have any plans in this regard? Are they willing to spend funds to investigate the possibilities? If they are not willing to do it by themselves, are they willing to do it in conjunction, say, with the federal government. The point was made—I may be wrong in this—that 50 per cent of the shareholders of your company are individuals. My question had to do with the number of shareholders, the type of shareholders and what type are the other 50 per cent? I have one more question

which was not asked at the time. I would like to know what relation has the Toronto-Hamilton and Buffalo railway to the C.P.R.? This is in the Welland area.

● (9: 10 p.m.)

Mr. CRUMP: On the first question, I can well understand that there may be some individual inconvenience. In regard to section 16, I still feel that the statement there, that there has been no impairment of the economic or social development of the communities, is correct. I recognize that there may be individual cases of inconvenience. Have you got an additional question? I know there was one there that I recall you asking before. I do not think you should call the Takata line a commuter service. Three hundred and twenty miles does not fall into the normal classification of commuter service. It is a high density service. If I recall, the density population per square mile in Canada is something like six and in Japan it is 656. I am not too sure about that but it is in that relation. I said this morning I felt that the tremendous sums of money—and the best evidence is on our doorstep at the moment—of \$1,300 million for a 300 mile line for extension to Takata is beyond the possibility of any single company. Certainly, we are quite prepared to sit down and look at what the future holds, to assess what the future holds, whether this is economic for a country such as ours. It is up to parliament to decide how much this country can afford in any of these things. But for what our experience is worth we are perfectly willing to sit down and take a look at it. I am convinced that Canadian Pacific Railway, of itself, simply cannot do this. We have not got the resources. We have—and again plus or minus a few—as I said 55 per cent in Canada, 21 per cent in Great Britain and other British countries, 17 per cent in the United States and the remainder scattered about in foreign countries.

Of the total number of shareholdings, I think the number is about 83,000, of which, again I am trusting to memory, about 46,000 are in Canada. The others are divided, roughly, in proportion to the holding of the stock. The relation between the T.H. and B. and the Canadian Pacific Railway, the T.H. and B. is owned 73 per cent by the New York Central and 27 per cent by the Canadian Pacific Railway. There may be a fraction in there but I think that is about it.

Mr. TOLMIE: Is there any possibility of improved service for T. H. & B. which is atrocious at this time in the Welland area?

Mr. CRUMP: The preponderous partner there is the New York Central and at the moment I cannot see it.

The CHAIRMAN: Mr. Ormiston.

Mr. ORMISTON: Mr. Chairman, as one who represents the great C.N.R. centre of Melville, we have to give Mr. Crump the chance to put in a plug for the C.P.R. I have a couple of questions. The first I pose, I think, to Mr. Sinclair, and ask him if he thinks it is practical to apply the run-through system to the passenger service in the hope of improved efficiency.

Mr. SINCLAIR: Well, Mr. Ormiston, there is question about this. Run-throughs are a step forward; they are a further application of diesel technology; they will come and with them will come more efficiency. There is no question about that. When they will come on Canadian Pacific Railways, I do not know, and how they will come I do not know. They will be negotiated and I think that run-throughs is a change that we must face up to just as we had to face the

change that was necessary by the transfer of steam to diesel and the problem arising from fire. Now that is about as close an answer as I can give you, Mr. ORMISTON, but it is an application of diesel technology that I think that companies and labour have got to learn to change with.

Mr. ORMISTON: My second question is probably much easier to answer in that it pertains to the scheduling of the Canadian. When you happen to live in Saskatchewan, when you are fortunate enough to live in Saskatchewan, and have you travel on out of Regina on the C.P.R. you wonder what this word "convenience" means because as you know whether you are going east or west or getting on or off you, going to and fro, it is between 2.30 and 4.30 in the morning.

Mr. SINCLAIR: We have a set of sleepers.

Mr. ORMISTON: Yes, I realize that but everyone does not travel on the sleepers. The poor farmers have to travel in the day coach. I know the scheduling is done on the basis of safety and economics and connections, but I just wondered whether we have to have the same time schedule permanently and is there any chance of any improvement? That is the only question I have to ask.

Mr. SINCLAIR: Do you suggest that we move it to Manitoba or Alberta. You see, like all transportation organizations that are going a long distance they have to be somewhere at hours that are not as convenient as they are at other places.

Mr. TOLMIE: Do you have to be in Regina at three o'clock in the morning?

Mr. SINCLAIR: If it was not there at three o'clock in the morning it would be somewhere else at three o'clock in the morning. I think that people in Regina and people in Saskatchewan are very used to being up all night anyhow.

Mrs. RIDEOUT: Mr. Chairman and Mr. Crump, I have listened all day today, since 9.30 this morning, with the odd break, with great interest to the brief submitted by the Canadian Pacific Railway. I may just tell you that I represent the constituency of Westmorland which has in it the city of Moncton and the headquarters of the Canadian National Railways for the Atlantic region. I am very sympathetic to the people who have found themselves without passenger services with the discontinuance of the Dominion. But as a former railroader, and married to a former railroader, I am awfully concerned for the people who were employed by the Dominion. I know what it is like to have a regular job and to be bumped and be on the spare board and to be out of work. I am wondering if you would mind telling me this just as a matter of human interest, really, because I am concerned for all employees of all the railroads, whether they be C.N.R. or C.P.R. What about the people who are employed by the Dominion? Have you been able to replace them in similar jobs? Has there been any loss of employment by these people?

Mr. CRUMP: I did not realize that we had one who was so familiar with the railway jargon as the hon. member has indicated, because when you are bumped and get on the spare board this is real railroad jargon. This question was raised, as a matter of fact, by another department here in Ottawa and we have figures here. As a matter of fact I gave them to the Minister of Labour. This included the Dominion and the change in operations between Montreal and Toronto and Ottawa and Toronto. You can correct my memory if you have the

figures there. I think it was 388. There was an impression that there were hundreds of people involved. Three hundred and ninety-four was total who were displaced. Two hundred and eighty-seven were given alternate employment and nineteen were to be offered alternate employment when it became available. That is the spare board. And the change, the net decrease, was eighty-eight. We hope to offer them positions. As we mentioned this morning, with a ten per cent turnover in staff somewhere in the system there are about 5,000 new people hired each day.

Mr. SINCLAIR: Each year.

Mrs. RIDEOUT: I wish there were 5,000 hired each day.

The CHAIRMAN: It must have been a long day.

Mr. CRUMP: It must have been when I said 5,000 people a day. Of course you are familiar, as I can see, with the fact that practically all of our unions are operated on a seniority basis. A junior man who was hired yesterday might find himself out of work for a few days and then he is back.

Mr. RIDEOUT: I am really glad to hear your answer, Mr. Crump, because it is always a matter of concern since it invariably happens that when you do take off the train there is a chain reaction and many people in their lives are affected by the change of positions or their runs. Thank you very much.

The CHAIRMAN: Mr. Mitchell.

Mr. MITCHELL: Mr. Chairman, I would like to ask the witness a few questions and I might say that the effective demand will not be one of them. I think that the effective demand was discussed thoroughly today. You may think that probably I am going a little too far from my riding which is Sudbury, and which is, I think, a fairly important divisional point on your system.

I am concerned about the removal of "The Dominion" which has to do with the interruption of the fairly good arrangement, or service, on the Sault line; by that I mean not the Sault line but the Sault St. Marie-Sudbury line. As you know now, there is no connection for the people coming off the Sault line or going on the Sault line. The Dominion served in both cases. The Sault train arriving in the evening in about the neighbourhood of 9.30 p.m. and connecting with the Dominion—which, of course, was Red Fare, same as the Canadian is, going to either Montreal or Toronto; that connection was fine. In the morning the same thing applied to Montreal and the Toronto section came in and made the connection with the train leaving for the Sault within a very few minutes. Now, do not think, sir, that the innkeepers or the hotel men would appreciate what I am going to say, but there is an overnight stop in Sudbury either way. The Canadian as you know is due in at approximately noon and there is no connection to the Sault until the following morning.

The Canadian going west is in at roughly 11 o'clock at night and there is no connection to the Sault again until the following morning. I hope you do not think I am plugging for the Sault St. Marie area, although I am and particularly the Prime Minister's riding which is in the area of which I am speaking; but it sort of leaves them out on a limb with this sort of an arrangement. I can see there are going to be some difficulties in the rearranging. How much traffic goes on or comes off the Sault line, I am not prepared to say, but it does from a passenger's angle leave much to be desired. That is one thing. Do you want me to go on, sir?

● (9: 20 p.m.)

The CHAIRMAN: Answer that one first.

Mr. CRUMP: After the withdrawal of the Dominion these protests became known, they were investigated, the City Councils were consulted, the schedule is being changed on March 7 to accommodate direct connection.

Mr. MITCHELL: There are two schedules, is that right?

Mr. CRUMP: I see, well that is fine. Thank you very much.

The CHAIRMAN: Gentlemen, before we go on further I understand you have more questions, do you, Mr. Mitchell?

Mr. MITCHELL: Just one.

The CHAIRMAN: Well, before we go on further, I think it is a quarter to ten and I would like to bring to the attention of the committee that we have something like ten more members who wish to ask questions and this might be a good time to discuss whether or not we are going to sit tomorrow morning. It is my personal feeling that we have 17 people who have asked questions and we have been sitting since 9.30 this morning, so that perhaps with the House sitting at 11 o'clock tomorrow we might, if it meets with your approval, sit from 9.30 a.m. until 11 a.m. Mr. Crump and his delegation will be here and tomorrow being such a short day, with some members probably wanting to make connections to leave for their constituencies, I want to find out from the committee what their feeling is in this matter; or we can go from 9 a.m. until 10.30 a.m., but I will put it to the committee.

Mr. HORNER (*Acadia*): Whether we meet and solve the question this week really will not matter. We could wait until next week; you know, I just throw this out as a suggestion, Mr. Chairman.

The CHAIRMAN: I am in the hands of the committee on this matter. Would tomorrow afternoon be satisfactory? I am in the hands of the committee. We could meet, if you wish, from one or 1.30 p.m. until 3 p.m. or 4 p.m.

Mr. ROCK: Is Mr. Crump going to be here? I thought he was not going to be here.

The CHAIRMAN: No, but Mr. Emerson, Mr. Sinclair and the rest of the people will be here.

Mr. ORLIKOW: It makes very good sense to me that we should meet for a couple of hours in the afternoon. Obviously, our friends on the other side cannot meet in the morning because they have a caucus. If we hold these gentlemen overnight and keep them around here tomorrow morning waiting for a meeting of a couple of hours tomorrow afternoon, it does not make very good sense to me. I think we would be better to ask them to come back the first of the week.

The CHAIRMAN: Well, they are prepared to come back tomorrow afternoon, I am informed.

Mr. CRUMP: Or the first of the week, whatever the committee would like.

Mr. ORLIKOW: If they will come back tomorrow afternoon, I suggest that we have them. I am certain that we are not going to finish tomorrow. While they are here I think we should meet tomorrow afternoon.

The CHAIRMAN: Well then, what would you say, 1 p.m. or 1.30 p.m.?

Mr. BELL (*Saint John-Albert*): I think we should figure on sitting here at 9.30 tomorrow morning, and go right at it, and if possible finish by 11 a.m., but if not, we could meet for a couple of hours tomorrow afternoon, and finish up with the C.P.R. officials.

Mr. ORLIKOW: We could meet from 9.30 to 11.

Mr. HORNER (*Acadia*): We could not finish tomorrow anyway: I want to be at the caucus tomorrow morning and I want to be here, too. It is rather difficult to be two places at one time.

The CHAIRMAN: If there is a caucus of one of the parties you have to accommodate the people who wish to go to the caucus.

Mr. ORLIKOW: I move Mr. Chairman that we meet from 1 p.m. to 4 p.m.

Mr. HORNER (*Acadia*): I second the motion.

The CHAIRMAN: Moved by Mr. Orlikow and seconded by Mr. Horner (*Acadia*) that we sit tomorrow afternoon from 1 p.m. to 4 p.m.

Is there any discussion before we put the question?

Mr. ROCK: I think we should have discussion first. I would like to ask the boys opposite, what time does your caucus commence tomorrow?

Mr. HORNER (*Acadia*): Nine thirty.

The CHAIRMAN: All those in favour of one o'clock to four o'clock? Opposed, if any?

Motion agreed to.

Then we will continue, Mr. Mitchell, with your question.

Mr. MITCHELL: Another question, Mr. Chairman: The fares on the Canadian Pacific Railway, and particularly the Canadian, have not been raised, but I am led to understand that there are no coach fares now. Is that right?

Mr. SINCLAIR: No, that is not right. There are coach fares, but there are no tourist fares. The tourist equipment, that is, the stainless steel tourist cars, had reached an age where they had to be retired, and there is no tourist accommodation; there is coach and closed and open space.

Mr. MITCHELL: May I say that the coach fares have been increased.

Mr. SINCLAIR: Have our coach fares been increased? In some areas yes, in some areas no.

Mr. MITCHELL: I am speaking of the Canadian.

Mr. SINCLAIR: On the Canadian, in some areas yes and in some areas no.

Mr. MITCHELL: Some areas yes and some areas no. That is rather unusual.

However, another and last question, Mr. Chairman, the Canadian, in spite of what you said of severe weather this year, has been continuously behind times. Some of your employees in the Sudbury area mentioned that they feel the schedule cannot be maintained with the extra stops that one transcontinental train has to make owing to the cancellation of the other. Have you any idea how many extra stops the Canadian has had to make in the readjustment and the cancellation of the Dominion?

Mr. CRUMP: While Mr. Sinclair is looking up his statistics, I would like to say, with respect, that I differ with you on one word that you use, namely the Canadian has been continuously behind time. I realize the performance has not

been good in January and February with the severe weather we had, but to say that it has been continuously late, I think is not quite right. As a matter of fact, I inquired last night and it was five minutes late eastbound to Ottawa.

Mr. MITCHELL: As a percentage say 75 per cent.

Mr. CRUMP: Oh, not that much. I happen to be in Ottawa; we receive morning reports every morning showing the times of all passenger trains and all fast freight trains, so it is known precisely.

The CHAIRMAN: Is that all, Mr. Mitchell?

Mr. SINCLAIR: We changed conditional stops on the Canadian—that is stops on signal to absolute stops at 16 places. These were stops the Canadian made before on signal, they then made them as they scheduled stops, and we added signal stops in 16 places and added one hour and fifteen minutes to the running time. I should say this, Mr. Mitchell, we took the schedule point to point and worked it through and simulated the operation with the computer, and worked this all out before we made the change in the running time. We, of course, went into this at some length, and we are convinced, from the knowledge of our operating people on the road, that this train can operate in accordance with the schedule, leaving aside the stops for thawing drifts and various things that I think Mr. Crump might speak to.

Mr. MITCHELL: When were these changes made, Mr. Sinclair?

Mr. SINCLAIR: When were these changes made? September 7, 1965.

● (9: 30 p.m.)

Mr. CRUMP: There is one point of thawing drifts; so let us face it. That is a result of cold weather and we have always had that in Canada. But there is one point that is rather interesting that may not have occurred to you, or anyone familiar with steam locomotives. But now with diesel operation and cold weather, we have in very cold weather on passenger trains more frequent and longer stops to take water to heat the train. This has become a difficulty, and to get over a full division sometimes now, at 45 or 50 degrees below zero, with the wind sweeping underneath and this is when it is bad—it uses a tremendous amount of water to heat that train and the delays add up in taking water on the diesel. Unfortunately, in this country it is not like it is in Britain. I was on a diesel locomotive being turned out of Euston station, built by the English Electric Company, and the only reason I happened to be there was that they were naming these new passenger locomotives after famous ships, and this one had been named after the *Empress of Britain*, and they invited me down for the christening ceremony. When I got up in the cab I was shocked to find in the cab of a diesel locomotive the lever for the water trough.

You recall they picked up water on the fly in England with the steam locomotives, and now they do that with diesel locomotives for their train heating boilers; but we have not any chance of being able to do that here. This is just another one of the difficulties. This question of water to supply heat to the train in extremely cold weather is quite a problem.

The CHAIRMAN: Mr. Orlikow.

Mr. ORLIKOW: Mr. Chairman, I will present my question at one o'clock tomorrow, if you would like.

The CHAIRMAN: All right. We will adjourn tonight until one o'clock tomorrow afternoon.

Mr. BELL (*Saint John-Albert*): Mr. Chairman, I think we should come here tomorrow with the intention of trying to complete this, in so far as the final recall is concerned, if that is necessary. The officials should know that probably we will try and wrap it up tomorrow.

The CHAIRMAN: Yes, tomorrow afternoon, but the officials will be subject to recall. Mr. Horner?

Mr. HORNER (*Acadia*): If you are going to try and wrap it up tomorrow, could the committee not be given the percentage of occupancy on the Canadian, say, for the last ten years with regard to summer and winter travel?

Mr. SINCLAIR: Sorry, we do not keep statistics like that, Mr. Horner.

Mr. HORNER (*Acadia*): It would prove your case. It might prove ours.

Mr. SINCLAIR: With all due respect, I think that is rather unfair.

Mr. HORNER (*Acadia*): I cannot believe this. I cannot believe the fact that you do not know whether it was 80 per cent the past year, or 100 per cent during the summer, the year before, or whenever.

Mr. SINCLAIR: For how many years on "The Canadian" do you want me to give statistics? Do you want the statistics for ten years on the road factors and the kind of weighting? May I ask you what kind of weighting you want in them?

Mr. HORNER (*Acadia*): I do not understand you on the weighting clause. I want to know just whether the train was being used at 50 per cent during the winter, 80 per cent during the summer, or 100 per cent. We cannot judge whether there is a need for "the Dominion" train during the summer unless we know how full "the Canadian" has been. This is my way of looking at it.

Mr. SINCLAIR: All I can say to that is that from the statistics one can get we know how many passengers we have; we can figure this out, yes. But it is a fantastic job to figure this out between segments. For instance, what about, let us say, Brandon to Winnipeg, Ottawa to Montreal, Ottawa to Carleton Place? On what kind of a weighting factor do you want it done? It is a fantastic job you are asking us to do.

Mr. HORNER (*Acadia*): I would like you to generalize on that aspect. I do not know whether you can do that or not. In the last couple of years it was an impossibility during the summer to try and get a reservation on The Canadian. You could try nearly a month ahead of time and you still could not get it. It must have been operating at reasonably full capacity.

Mr. SINCLAIR: I know also, Mr. Horner, that on certain days it was impossible to get a reservation on lots of things, lots of times, but these are pinpoints; you cannot schedule public transportation to peak demand; nobody can.

The CHAIRMAN: Mr. Horner, I think we had better wait until tomorrow.

Now, while we are here and before we adjourn, I want to thank Mr. Crump on behalf of the committee for being with us since 9.30 this morning. I know it has been a long day and we understand you are leaving on a short trip for health reasons but I hope you will be back with us very shortly.

The committee is adjourned until 1 p.m. tomorrow afternoon.

APPENDIX B

Summary of Presentation by Canadian Pacific

1. The major and fundamental concern of Canadian Pacific always has been and still is transportation, and it intends to stay and progress in the transportation field.

2. This Committee has been directed to consider and report upon that part of the transportation function of the Company relating to passenger service, and the terms of reference call for examination of the following points:

- (a) The extent of the effective demand of the public for passenger service;
- (b) The Company's present programme for passenger service;
- (c) The Company's future plans for passenger service;
- (d) The effects of the Company's programme and future plans for passenger service.

Effective demand for rail passenger service

3. "Effective demand" is the demand for a service at prices which meet the cost of providing that service. The policy of the Company has always been and will continue to be to meet the effective demand for passenger service. In fact it has often continued a service after the effective demand for it has ceased.

4. In all spheres of transportation demand is constantly changing and must be met with changes in equipment and adjustment of methods and activities. In passenger transportation in Canada, demand is governed by four elements applied by the passenger in choosing his mode of travel:

- Convenience
- Comfort
- Speed
- Cost to passenger.

The effective demand turns to those modes of travel which have the best combination of these features.

5. With the construction of railways, and particularly the transcontinental line, an effective demand for rail passenger service was created and in the absence of other practicable means of travel it remained virtually absolute until challenged in the early 1920's by the growing mass-production of automobiles and the extension of better roads for longer distances.

6. The Depression of the 1930's retarded the expansion of highway travel, but in 1939 a new competitor appeared with inauguration of transcontinental air service. The demand for rail passenger service remained only moderately affected by these alternatives during this period and through World War II.

7. It was after World War II that the full impact of automobile production, highway expansion and improvement in airline facilities and services com-

menced. Between 1946 and 1955 highway competition was felt most severely on branch lines, and air competition made inroads upon transcontinental passenger service. The threat of transfer of the advantages of convenience, comfort, speed and cost from rail to road and air was met most vigorously by Canadian Pacific with new and improved equipment, faster scheduling and increased promotion.

Adaptation of Canadian Pacific rail passenger service to meet changes in effective demand

8. By the early 1950's the effective demand for branch line passenger service had disappeared, but it was believed that transcontinental and inter-city passenger service could be made viable. Measures had been taken immediately after the War to remodel and modernize main-line passenger equipment, and this was followed by an intensive study of new forms of equipment with greater public appeal and comfort as well as advantages in maintenance and operating efficiency. This led to the construction of the stainless steel equipment used in "The Canadian" and to some extent in other trains, as well as to the ordering of fifty new diesel passenger locomotives.

9. Inauguration of "The Canadian" was accompanied by the most extensive campaign of merchandising in the history of the rail industry. To encourage and retain traffic on other main and secondary main lines, Canadian Pacific introduced a fleet of over fifty rail diesel cars which provided greater comfort, convenience and speed. The purchase of these various new forms of passenger equipment represented an investment of some \$60 million.

10. The result was a limited but encouraging improvement in passenger revenues for several years, but in 1958 the decline resumed, as illustrated in the following table.

	Passenger Revenue (millions)	Index 1954 = 100
1954	\$ 36.1	100.0
1955	37.5	103.9
1956	37.8	104.7
1957	38.6	106.9
1958	35.4	98.1
1959	33.2	92.0
1960	30.5	84.5

11. Concurrently, expansion of other modes of transportation was continuing:

- (i) from the beginning of 1957 passenger automobile registrations increased from 3.4 millions to five millions;
- (ii) expenditure on roads from 1957 to 1963 was more than \$7 billion;
- (iii) expenditures on Trans-Canada highway in same period (paralleling C.P. mainline)—\$650 million;
- (iv) Department of Transport expenditures for air services and facilities, same period—close to \$900 million.

12. By the end of 1964 over 95% of inter-city travel moved otherwise than by rail.

Changes in the factors governing choice of mode of travel—Convenience, Comfort, Speed and Cost

13. The private automobile has certain obvious advantages for inter-city travel that cannot be matched by rail. For longer distances the convenience of air travel has been greatly improved. The comfort of automobiles, aircraft and air terminals has been improved beyond comparison with that of a few years ago. Powerful automobiles on through highways permit inter-city trips to be made faster than by rail. The speed of the jet aircraft has won most of the long distance passenger business. The average motorist counts only the cost of his gasoline and is thereby influenced to drive. In the air, reductions in fares have been made possible by the expanded seating capacity of aircraft and by the absence of the high labour intensity of rail passenger operations.

Company's present programme for rail passenger service

14. The effective demand for rail passenger service has been substantially reduced and in some areas particularly on branch lines, has disappeared.

15. Upon secondary main lines the improved service of rail diesel cars has failed to prevent declines in patronage that have gradually forced reductions in frequency, services and in some cases withdrawal of service.

16. Despite careful watch on the results, no instance has been observed of impairment of the economic or social development of any community caused by reduction in rail passenger services.

17. On the main line, improvements in equipment, comfort and service only succeeded temporarily in reversing the trend of declining demand, and curtailment of operations has been necessary. This began with the elimination of one of the three daily trains, leaving "The Canadian" and "The Dominion". With a decline in carryings of these two trains in the late 1950's "The Dominion" was operated for several years with most of its space empty. In the Fall of 1960 this situation compelled reduction of "The Dominion" to a coach train supplemented with sleeping and dining car equipment between certain points. The full consist was restored thereafter each summer.

18. The "Faresaver Plan", introduced late in 1963, drastically reduced fares and increased the number of transcontinental passengers but did not produce additional revenue. As added costs were incurred to move the additional traffic there was a deterioration of the net position.

19. While "The Dominion" carried many summer tourists, particularly under the Faresaver Plan of rates below cost, complaints were numerous as to the antiquated equipment used, which could not be replaced.

20. Acute competition from trucks for express traffic obliged the Company to re-organize its method of handling express. This was accomplished by transferring the express from "The Dominion" to set-off cars handled in high speed freight trains with distribution from the set-off points by highway. Concurrently, arrangements were made with the Post Office Department for the movement of mail on fast freight trains.

21. With heavy wage increases weighing upon the highly labour-intensive transcontinental service, and with minimum carryings at Faresaver rates, it became imperative to discontinue operation of "The Dominion".

22. Notwithstanding these various reductions in passenger train services, the results of passenger train operations in 1965 were:

Revenues	\$40.3 million
Variable Cost	64.2 million
Deficit	<u>\$23.9 million</u>

Revenues did not even meet the direct items of variable cost such as crew wages, fuel and repairs, without any allowance for such variable costs as are apportioned between passenger and freight.

23. In recent years most of the savings from changes in service have been offset by increases in wage rates and material prices, as indicated in the following table:

Passenger Train Service Deficit
(Millions of dollars)

Year	Revenues	Variable Costs	Deficit
1958	63.8	91.4	27.6
1959	59.9	87.6	27.7
1960	54.9	77.7	22.8
1961	46.5	72.5	26.0
1962	46.6	69.7	23.1
1963	44.5	69.2	24.7
1964	44.8	70.8	26.0
1965	40.3	64.2	23.9

24. Note that no charge is made here to passenger service for constant cost. A service that is bearing no portion of the constant cost of railway operation is a burden on the users of other railway services, or on the railway itself.

25. Criticism of the methods used in railway costing fails to take into account that railway costing has been the subject of prolonged post-war study and development, and that the techniques and analytical methods used by the Company are the most modern used by any industry with a problem of joint costs.

26. Experience has shown that lower fares are not the solution to the problem. Passengers cannot be attracted at fare levels that will provide for the cost of the service, and levels below cost merely deprive other media of traffic that would be profitable to them.

27. Railways cannot reasonably be expected to maintain an unpatronized service only to be present as a standby in case of spasmodic conditions.

Future plans for rail passenger service

28. It is apparent that "The Canadian" will be operated for years to come. Some proposed reductions are at present before the Board. Others are under

study by the Company. Indications are that inter-city service will continue between Montreal and Ottawa, Montreal and Quebec and Montreal and Saint John, N.B. It is apparent that the Montreal-Lakeshore commuter service will continue.

29. It may be necessary from time to time to make adjustments in these services and in the fares charged, but these are matters that must await changes in effective demand and in labour and material costs. Fares in effect in many areas now are below the standard fares approved by the Board as just and reasonable.

30. The availability of passenger car equipment and motive power is an important consideration for the future. Obsolete cars that no longer receive public acceptance must be retired, and there can be no justification for the purchase of expensive new equipment, nor for the reconversion of locomotive units from freight to passenger service when requirements for freight service are at a most demanding level.

31. Indications for the future are that there will be a further intensification of air competition, both transcontinentally and in inter-city traffic. Experiments in new kinds of rail passenger transportation are proceeding in the United States and Japan, but these are in areas in which the density of population far exceeds anything foreseeable in Canada. Suggestions have been made that similar experiments be conducted between Montreal and Toronto. The outlay for all such experiments is so great that they can only be financed by governments.

Effect of present programme and future plans on travelling public

32. The suggestions that the Company has deliberately downgraded its passenger trains to discourage passengers and eliminate the service is entirely without foundation. Fully equipped passenger trains have been continued in operation virtually unpatronized for long periods, and reductions in service have only been made when there was unmistakable proof that effective demand had disappeared. The policy of continuing to provide adequate rail passenger service where there is an effective demand for it cannot possibly have an adverse effect upon the interests of the travelling public.

Effect on Company employees

33. Reductions in the number of employees engaged in passenger service generally result in affected employees exercising their seniority and transferring to other positions. This process works down to the most junior employees, for whom the Company seeks to find other employment aided by attrition and the rapid expansion of the Company's other services.

Effect on the Canadian people

34. It must be emphasized that the passenger train service programme followed by the Company has been in the best interest of the people of Canada and in faithful accord with the Company's obligation to them.

35. The obligation under the contract of 1880 was to;

...thereafter and forever efficiently maintain, work and run the Canadian Pacific Railway.

To be efficient the Company must adapt to changing demands of traffic; there can be no efficiency in continuing to operate passenger trains when no passengers remain at fares which meet the worth of the service, and to do so is a disservice to the public.

36. The contract of 1880 was preceded by various unsuccessful efforts made by the Government to fulfil its commitment to British Columbia to provide a transcontinental railway. With British Columbia threatening to secede because of failure of these efforts, the Government finally persuaded a syndicate to assume responsibility for the undertaking upon payment of \$25 million and 25 million acres of Crown lands, these payments to be applied towards the construction, completion and operation of the railway.

37. Construction costs far exceeded the cash grant, and as the lands were of little immediate value it was necessary for some of the directors to give their personal guarantees for large amounts to save the enterprise from collapse. Some 6,800,000 acres of the land were never received, but were relinquished to the Government in 1886 at \$1.50 an acre to cancel a loan. The Company made vast expenditures for colonization, land settlement and irrigation from which the country has received great benefit.

38. The Company has met and will continue to meet to the fullest extent its obligations to the people of Canada. The existence of a sound transportation service is vital to the economy of the country, and no other country has had its demands for rail transportation supplied more efficiently than has Canada by Canadian Pacific.

The Board of Transport Commissioners for Canada

39. The adequacy and suitability of the transportation service provided by the Company is subject to regulation by the Board of Transport Commissioners for Canada, which is a body of carefully chosen and highly competent members, supported by a staff of experts in the various transportation fields. While the Board frequently makes decisions that are adverse to the contentions of the railways, Canadian Pacific is bound to acknowledge that Canada is well served by such a Board. The thorough and objective investigation of every complaint and the carefully considered conclusions reached make the Board's decisions deserving of attention and respect.

The MacPherson Royal Commission on Transportation

40. The MacPherson Commission made a careful study of the change in demand for passenger transportation. The Members of the Commission represented a cross-section of Canada.

41. Among witnesses appearing before the Commission on behalf of the western Provinces were the Honourable Duff Roblin, Premier of Manitoba; Dr. Hu Harries, Dean of the Department of Commerce, University of Alberta; Dr.

Ernest W. Williams, Jr., Professor at Columbia University, appearing for the Provinces of Manitoba and Alberta, and Dr. W. Hughes, Chairman of the Transportation Department, Faculty of Commerce, University of British Columbia, appearing for the Province of British Columbia. All of these experienced witnesses demonstrated in the views that they expressed upon rail passenger transportation a close accord with the views and policy adopted by Canadian Pacific.

42. The Royal Commission itself, in its conclusions, found little social justification and less economic, for the permanent provision of railway passenger services where the public had already indicated its preference for other modes of travel, and it considered the correction of such anomalies to be a matter of urgency in the public interest to relieve the burden caused by misallocation of transportation resources.

The Economic Council of Canada

43. Canadian Pacific has a responsibility as a Canadian corporation to do its part in making the most efficient and economic use of the labour and capital resources of the country, so as to increase productivity and provide transportation at the lowest possible cost. The need for increased productivity and efficiency has recently been emphasized by the Economic Council of Canada and has been repeated with particular reference to the transportation industry by the Chairman of the Council, Dr. J. J. Deutsch.

44. The Honourable Minister of Transport, speaking in the House of Commons on February 15, 1966, emphasized the importance to Canada of efficient transportation, so that producers may reach export markets at reasonable cost. This meant, as he said, that when services become redundant they must be discontinued. Transportation could only be paid for by the users or by the taxpayers; there was no third way.

45. Perpetuation of passenger services that are no longer patronized or the diversion of traffic from other media by abnormally low fares is a misallocation of transportation resources and a disservice to the interests of the Canadian people. If Canadian Pacific had failed to adjust its passenger rail service to the effective demand it would have been derelict in its duties and responsibilities to the people of Canada.

46. The views and policy of Canadian Pacific in this respect have been confirmed by decisions of the Board of Transport Commissioners and two other bodies, whose prime function is protection of the interests of the public, the MacPherson Royal Commission and the Economic Council of Canada. Can it be a fact that all three bodies as well as others with specialized experience who have expressed their views, have all erred in their assessment of what is best for Canada in the field of transportation?

HOUSE OF COMMONS

First Session—Twenty-seventh Parliament
1966

STANDING COMMITTEE

ON

TRANSPORT AND COMMUNICATIONS

Chairman: Mr. JOSEPH MACALUSO

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 3

FRIDAY, MARCH 4, 1966

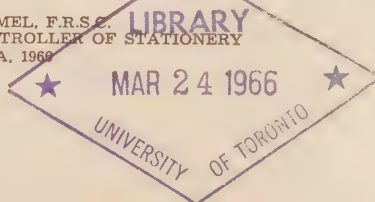
Respecting

The subject-matter of the adequacy of the present program and future plans for passenger service on the lines of the Canadian Pacific Railway.

WITNESSES

From the Canadian Pacific Railway: Messrs. R. A. Emerson, President and Chief Operating Officer, I. D. Sinclair, Vice-President and Member of the Board and Member of the Executive Committee.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1966



STANDING COMMITTEE ON TRANSPORT AND COMMUNICATIONS

Chairman: Mr. Joseph Macaluso

Vice-Chairman: Mr. Gustave Blouin

and Messrs.

Allmand,
Andras,
Bell, (Saint John-Albert),
Byrne,
Cantelon,
Carter,
Deachman,
Fawcett,
Honey,
Horner (Acadia),
Lessard,
McIntosh,

Mitchell,
Olson,
Orlikow,
Ormiston,
Pascoe,
Rapp,
Rideout (Mrs.),
Rock,
Sherman,
Southam,
Tolmie—(25).

(Quorum 13)

Maxime Guitard,
Clerk of the Committee.

MINUTES OF PROCEEDINGS

FRIDAY, March 4, 1966.

(5)

The Standing Committee on Transport and Communications met at 1:05 o'clock p.m. this day. The Chairman, Mr. Macaluso, presided.

Members present: Mrs. Rideout, and Messrs. Allmand, Andras, Bell (*Saint John-Albert*), Byrne, Cantelon, Carter, Fawcett, Honey, Horner (*Acadia*), Lessard, Macaluso, McIntosh, Mitchell, Olson, Orlikow, Ormiston, Pascoe, Rapp, Rock, Sherman, Southam, Tolmie.—(23)

Also present: The Honourable John Turner, Minister without Portfolio, and Messrs. Emard, Harkness, Hees.—(4)

In attendance: From the Canadian Pacific Railway: Messrs. R. A. Emerson, President and Chief Operation Officer, I. D. Sinclair, Vice-President and Member of the Board and Member of the Executive Committee.

The Committee resumed its consideration of the subject-matter of the adequacy of the present program and future plans for passenger service on the lines of the Canadian Pacific Railway.

The Chairman introduced Mr. R. A. Emerson.

Before proceeding to the examination of the witnesses, the Committee stressed the necessity of continuing its hearings next week and agreed to sit from 9:30 a.m. to 1:00 o'clock p.m. on Tuesday, March 8, 1966, if the House gives its consent.

Thereupon, on motion of Mr. Olson, seconded by Mr. Fawcett,

Resolved unanimously: That this Committee seek permission to sit while the House is sitting. Such leave to have effect for Tuesday, March 8, 1966 only.

Messrs. Emerson and Sinclair were called and examined.

At 3:00 o'clock p.m. the Committee recessed.

At 3:05 o'clock p.m., as a sufficient number of members had not reassembled, and as a vote was expected in the House, the Chairman announced that the Committee will meet again at 9:30 o'clock a.m. on Tuesday, March 8, 1966.

Maxime Guitard,
Clerk of the Committee.

EVIDENCE

FRIDAY, March 4, 1966.

● (1: 10 p.m.)

The CHAIRMAN: Gentlemen, we have a quorum.

I wish to introduce to the members of the committee those who we have with us this afternoon—Mr. R. A. Emerson of the Canadian Pacific Railway and, again, Mr. I. D. Sinclair and other members of the Canadian Pacific Railway staff.

There have been handed out to you by courtesy of the Canadian Pacific Railway the routes of the rail lines, which are shown in red with a polka dot in white. The white routes are the airline routes and, out to the east coast, the solid red lines are the steamship routes.

I want to thank Mr. Emerson and Mr. Sinclair for providing these.

Mr. BELL (*Saint John-Albert*): Since I am the one who brought this up, I still would like to see a map on the wall of the routes of Canadian National Railways and the Canadian Pacific Railway.

The CHAIRMAN: We will ask the Department of Transport to prepare those maps.

Mr. BELL (*Saint John-Albert*): This is a help, but it does not quite show the contrast.

The CHAIRMAN: The Department of Transport is preparing that now, Mr. Bell.

Before we commence, and before we roll too close to 4 o'clock, I would like to mention sittings for next week. It all depends, of course, whether we finish today with the Canadian Pacific Railway officials. We have not at the present time contacted any other delegations to appear before us. We have certain unions and mayors to contact.

I would like to ask the committee whether or not we should perhaps decide to sit on Tuesday. If there are no delegations prepared to come before us on Tuesday we may have a meeting of the subcommittee on Monday. Perhaps we should call a subcommittee meeting for Monday to discuss sittings for the rest of the week.

Mr. OLSON: I think perhaps it would be helpful to you to know that as far as I am concerned I am very sure we will not finish with the Canadian Pacific Railway witnesses today.

The CHAIRMAN: Very well. I will take your word for it. Shall we arrange then to meet on Monday afternoon or Tuesday?

Several hon. MEMBERS: Tuesday.

The CHAIRMAN: At 9.30 on Tuesday morning until one o'clock? Is that agreeable, gentlemen?

Agreed.

May I then ask for a motion to request permission of the House to sit next Tuesday?

Mr. OLSON: I so move, Mr. Chairman.

Mr. FAWCETT: I second.

The CHAIRMAN: From the way it is going it would appear that we will have to carry on on a day-to-day basis.

Mr. BELL (*Saint John-Albert*): We are going to try to finish with the Canadian Pacific Railway today, are we not?

The CHAIRMAN: We will try to do so but I gather from Mr. Olson, and from what Mr. Orlikow said last night, that we will not finish at four o'clock today.

Mr. BELL (*Saint John-Albert*): Is there any chance of continuing until six o'clock today?

The CHAIRMAN: There are members of the committee who wish to try to obtain transportation connections today.

Mr. BELL (*Saint John-Albert*): Then they are brave because, according to the press, there is going to be a vote in the House.

Mr. OLSON: As far as I am concerned, Mr. Chairman, I would sit here until midnight but I am sure it would take at least that long, and let us bear in mind that we have had no details of cost and various other things in which we are interested.

The CHAIRMAN: I appreciate that; that is why I am letting Mr. Bell know that I should abide by our original motion to sit until 4 o'clock. But the Canadian Pacific Railway officials have indicated that they will be available at 9.30 on Tuesday morning.

Is that agreed?

Mr. McINTOSH: Is there agreement that there will be no supplementary questions?

The CHAIRMAN: Yes, I think once a line of questioning has started, and because there are many many members who will want to ask questions, my course will be that once a member has started and finished he will have to wait until his turn comes round again before putting any other questions.

There was a question that Mr. Sinclair had not finished answering last evening when we adjourned. Do you wish to complete that before I call upon Mr. Orlikow as our first questioner, Mr. Sinclair?

Mr. I. D. SINCLAIR, Q.C., (*Vice-President and member of the Board, and member of the Executive Sub-Committee, Canadian Pacific Railway*): Yes, the question was asked as to load factors on "The Canadian".

I find on page 71 of the Board's judgment certain load factors set out by segments for July, 1965 and for November, 1964—that is in the peak of the summer season and a representative month of the winter season. These could be put into the record, I would suggest, at this point.

In July, 1965	west out of Sudbury	80%
	west out of Winnipeg	78%
	west into Vancouver	71%
	east out of Vancouver	71%
	east out of Calgary	81%
	east out of Winnipeg	78%

In November, 1964	west out of Sudbury	56%
	west out of Winnipeg	56%
	west into Vancouver	48%
	east out of Vancouver	42%
	east out of Calgary	53%
	east out of Winnipeg	* 56%

They do not go back, as Mr. Horner suggested, for the whole 10 years but I would hope that this indication here would show what is the latest available information.

What it does show in essence is the fact that there is space available even in the very heavy months, considerable space, on each of the segments on "The Canadian". In the winter months it is running at a load factor of about 50 percent; in the summer, it is running from 71 percent to 80 percent.

I would ask at this point that this little table at page 71 of the Board's judgment of "The Dominion" case, dated January 7, 1966, be incorporated in the record if that meets with your approval.

● (1: 20 p.m.)

The CHAIRMAN: Mr. Orlikow.

Mr. ORLIKOW: I would like to begin by complimenting the Canadian Pacific Railway for this presentation and for the answers that were given yesterday by Mr. Crump and Mr. Sinclair to the questions that were put to them. It was obvious to me why they and Mr. Emerson, and some others whom we have met before, are the top officers of the Canadian Pacific Railway and why they get very substantial salaries.

I was glad that the Canadian Pacific Railway's presentation, Mr. Chairman, dealt on pages 26 and 27 with the question of the original contract made by the Government of Canada with the Canadian Pacific Railway, because apart from giving us an opportunity to discuss these matters, I do not think we can come to any conclusion about the cancellation of this or that train by looking at these things by themselves without the history. I think we have to look at the whole operation of this company and its relationship with the people of Canada and the Government of Canada.

Mr. Chairman, Mr. Sinclair practically brought tears to my eyes yesterday when he talked about how the original owners of the Canadian Pacific Railway had to practically pawn their jewelry to push through the work. He talked about the contract that was made, and he said the original builders of the Canadian Pacific Railway were given 25 million acres of land and \$25 million. And on page 27 they say that the land was really not worth more than \$1.50 an acre.

I want to ask Mr. Sinclair this. His presentation talks about 25 million acres of land. According to the Dominion Bureau of Statistics information in the publication "Canadian Pacific Railway Company—1923-64", Table No. 3, issued by the Public Finance and Transportation Committee of the Dominion Bureau of Statistics, shows the grants given to the Canadian Pacific Railway. The grants are listed as follows: from the federal government, 32,800,000 acres; and from provincial governments, 11,114,000 acres.

I wonder if Mr. Sinclair could make some comment on that because I think the record should be clear when we are going into these matters.

Mr. SINCLAIR: The heading on that document shows the Canadian Pacific Railway and other companies which now comprise the Canadian Pacific Railway. In other words, grants were made by the Dominion and by the provinces in support of railway companies. But later, those railway companies were taken over by the Canadian Pacific, either by lease or by purchase of their share capital. That is why the heading is not only as Mr. Orlikow says, "Canadian Pacific Railway" but "Canadian Pacific Railway Company and other companies now comprising—"

Mr. ORLIKOW: Is it fair then to say that the actual grants are above 44 million acres?

Mr. SINCLAIR: No, it is not because a number of these companies, before Canadian Pacific took them over, had disposed of substantial amounts of their land grants. This is why it is put in this way. Some of the companies that Canadian Pacific did acquire, of course, did have land grants that became a part of the Canadian Pacific complex.

Mr. ORLIKOW: I would like to ask Mr. Sinclair if it is not true that in fact besides the actual land when the company was given these grants they obtained not only the surface rights but the rights to all the mines, minerals and oil, and rights to all the gas vested in these properties?

Mr. SINCLAIR: Yes, they did. But the title was "the lands and all the minerals they might contain excluding"—and I repeat, "excluding" in certain cases—specified minerals. These are dependent upon the Grant, the legal document for the grant of the land. Basically, in all cases precious metals are excluded. They were excluded in every case, and others besides.

The point is, and once again it is historical, that when Canadian Pacific took over these other railways, when they bought them, they paid for the railway and whatever the lands were worth when they were given to the original owners. That is why you cannot use those statistics in quite the way you are trying to use them.

Mr. ORLIKOW: I would like to turn for a moment—

Mr. SINCLAIR: May I add one thing, Mr. Orlikow, that may be helpful to you in understanding this? It was the policy of the government in making grants—whether they made them to the Canadian Pacific Company or to land companies in support of settlement, or to homesteaders, to give them all the same kind of title; so they gave the Canadian Pacific no different kind of title than they gave to a forebear of someone who might be sitting in this room today.

Mr. ORLIKOW: I am not questioning that.

Mr. Chairman, in the Canadian Pacific Railway's presentation mention is made of the fact that the original subsidy was \$25 million.

On page 13 of the Canadian Labour Executives' Association brief to the Board, it is stated that as at December 31, 1964, the cash subsidies and expenditures on construction for which the federal government paid which were given to the Canadian Pacific Railway, were \$106,280,000. They break that down as follows: from the federal government, \$88,437,000; from provincial governments, \$12,582,000; from municipal governments \$5,261,000. This makes a total of over \$106 million.

I wonder what Mr. Sinclair would say about those figures.

Mr. SINCLAIR: Once again, Mr. Orlikow, Mr. Chairman and members of the committee, the table makes it clear that that is the Canadian Pacific Railway Company and other companies now comprising the Canadian Pacific Railway. But once again, the monies that were paid to these other companies when Canadian Pacific took them over or bought them had either been expended or lost. A number of these companies were relatively bankrupt or close to bankruptcy when Canadian Pacific took them over. Therefore, you cannot use those figures, for the reason that they are grouped. But once again that is a factor you have to keep in mind.

Mr. ORLIKOW: Yesterday, Mr. Sinclair, Mr. Crump said that the Canadian Pacific Railway was for a long time the largest taxpayer in Canada and is still one of the largest. I do not question that. Is it not true, Mr. Sinclair, that the Canadian Pacific Railway over the years was able to make agreements with various governments—and I am thinking at the moment of municipal governments—under the terms of which they paid either no taxes at all or they paid substantially less than the rate provided for others?

I do not want to be parochial, Mr. Sinclair, but of course I know my own city best—

Mr. SINCLAIR: And I know it pretty well too, Mr. Orlikow.

● (1: 30 p.m.)

Mr. ORLIKOW: Some 200 ratepayers—and I am speaking from memory—back in the 1870s passed a bylaw which exempted the Canadian Pacific Railway from the payment of local taxes for ever. It took many years to change that situation, and in fact I think it was only the last session of the Manitoba legislature that finally passed legislation last year under which at some time in the future the Canadian Pacific Railway will, for its property in Winnipeg, pay full local taxes.

Is it not true that this kind of arrangement was made not only in Winnipeg but in many, many cities and towns in Canada?

Mr. SINCLAIR: I do not want to think, Mr. Chairman, Mr. Orlikow and members of the committee, that I am trying to be extremely precise, but I think Mr. Orlikow you must state these matters carefully.

I think the facts about the city of Winnipeg are these. The Canadian Pacific Railway main line was to go through Selkirk, which is 20 miles north of Winnipeg. The people of Winnipeg then foresaw that their city was not going to be on the main line of the main transportation route. They therefore asked Canadian Pacific Railway to divert their line from Selkirk to come down to Winnipeg, and then go west from Winnipeg rather than cutting across over to Portage La Prairie. As a result of this, negotiations took place between the elected representatives at Winnipeg and the Canadian Pacific. An agreement was reached that the company's lands in Winnipeg would be free from taxation provided the company did certain things. One of these things was to build a passenger station; another was to centre in Winnipeg their main shops for the area; and a third was to build stockyards.

In about 1949 the City Council of Winnipeg instructed solicitors to challenge the agreement that was made in 1883 or 1884—I forget the exact date. This case went through the King's Bench Division of Manitoba, the Court of Appeal of Manitoba, the Supreme Court of Canada, and the Privy Council. The agreement that had been made was upheld by all these courts.

Subsequent to that, the company voluntarily made a grant to the City of Winnipeg for a period of ten years of \$250,000 per annum. That operated until 1964. Then, under the aegis of the government of the Province of Manitoba, negotiations were entered into last year between the city and the company, as you say, culminating in this act of the legislature which, by the way, had approved in an earlier statute the agreement that the municipal council of Winnipeg had made with the Canadian Pacific Railway back in 1883 or 1884. That is why the Province of Manitoba and the government of Manitoba were involved.

As a result of that, in lieu of this grant that we had been making in stage periods, the company has agreed to move to full taxation of its property over a number of years.

That is the story of Winnipeg. And you ask did they in many many municipalities make those kinds of agreements. The answer is no, they did not.

Mr. ORLIKOW: I do not doubt, of course, that what Mr. Sinclair says is true. I did not question that and I never suggested anything else. I was only making the point that I took the view that the Canadian Pacific Railway has been very well treated by the people of Canada.

Is it not true that there was some kind of special agreement with regard to local taxes in the City of Toronto in reference to the Royal York Hotel? Or are there no taxes?

Mr. SINCLAIR: No, that is quite wrong, Mr. Orlikow. When the Royal York was going to be built, and in accordance with the situation as it existed in municipalities generally at that time, in an attempt to stimulate construction of facilities in advance of what an investor might be prepared to put up—and that was a 1,200 room hotel which was the original size of the Royal York—they made an arrangement for a fixed assessment. That fixed assessment was operative for a number of years. But basically, again, the matter was negotiated between the city and the company, and the assessment now is the same as any other hotel assessment.

These, Mr. Orlikow and members of the committee, are specific arrangements made by people; and it is quite a well known thing. For instance, companies are given a period of no taxes to bring a factory to this city or that city or that municipality, or the federal government gives certain tax exemptions if one drills for oil in the arctic islands. That is in the statute books today. There are a number of typical things like that that act as a stimulus. Now they use a quick write-off situation; or, for instance, under our income tax laws there is special provision for research. This is the modern way of doing what they did a few years ago in another way. But there is nothing unusual about it at all; it is still going on.

Mr. ORLIKOW: I was not suggesting it was unusual; I just wanted to put on record the fact that the Canadian Pacific Railway has—and I am not being critical of the officers of the Canadian Pacific Railway or any other company who try to look after the interests of their stockholders, but I am not sure that that is necessarily always in the interests of the people as a whole. That is the only point I have been trying to make until now.

Mr. SINCLAIR: It is not a question of looking after stockholders; it is a question of two people both wanting something and arriving at an agreement.

That means there must be a flow of advantages one to the other or an agreement cannot be made. Everybody knows that you have to have two minds in consonance to make an agreement.

Mr. ORLIKOW: That is precisely the point I have been trying to make, Mr. Chairman. In order to get an agreement it would be the people, through their federal, provincial and municipal governments, who made various grants and subventions to the directors of the Canadian Pacific Railway.

Mr. SINCLAIR: No, sir, not to the directors.

Mr. ORLIKOW: To the owners of the Canadian Pacific Railway.

Mr. SINCLAIR: And in exchange for which the company undertook specific obligations.

Mr. ORLIKOW: That is right, and I would like to come to that now.

Mr. Chairman, that is just the point. Under paragraph 7 of the agreement between the government of Canada of the day and the organizers of the Canadian Pacific Railway the company agreed to the following:

—and the company shall thereafter and for ever efficiently maintain, work and run the Canadian Pacific Railway.

Now, Mr. Chairman, it seems to me from what we heard yesterday from Mr. Crump and Mr. Sinclair, and from the submissions which they made to the Board of Transport Commissioners, that what that clause means to the present management of the Canadian Pacific Railway is that they will run those parts of the operations which pay and that they have no obligation at all to run any line or any part of a line on which they lose. It seems to me, Mr. Chairman—and this is a case of heads the company wins and tails the people of Canada lose—

Mr. SINCLAIR: Mr. Orlikow, I do not know how you could be more wrong no matter how hard you tried!

Mr. ORLIKOW: Mr. Chairman, I think—

Mr. SINCLAIR: Would you like me to help you by telling you why?

● (1: 40 p.m.)

Mr. ORLIKOW: Well, I would like you to tell me but I would like to tell Mr. Sinclair that if I am wrong I am in very good company, because the unions which represent the employees who work for the Canadian Pacific Railway agree with me; and the western provinces agree with me because they made submissions along these lines to the Board of Transport Commissioners.

Mr. SINCLAIR: With respect, you are wrong, sir.

Mr. ORLIKOW: Well, Mr. Chairman, the transcript of the evidence will prove me right. I did not say the company will never wipe out any line. I am saying what Mr. Crump and Mr. Sinclair said yesterday was that they would be the judges. They felt they had a right to be the judges of which lines could be continued and the question would be decided on the basis of whether a line was profitable or not.

Mr. SINCLAIR: We did not say that. It is not said anywhere in our brief. We said just the absolute contrary, Mr. Orlikow. We said we were subject to the jurisdiction of the Board of Transport Commissioners, and we are subject to

the Railway Act. But the Railway Act provides that before a line of a railway can be abandoned the Board of Transport Commissioners must give authority for it to be so abandoned. Secondly, before a passenger service may be abandoned, the Board of Transport Commissioners has jurisdiction under section 315 to decide whether that line or service is required having in mind "all proper interests." That is the law of Canada as passed by the Parliament of Canada. It is not up to the Canadian Pacific Railway to say, "We are going to do this and we are going to do that." We do not have that power. We initiate, as Mr. Crump said; we study and initiate. But jurisdiction and final jurisdiction rests under the Railway Act with the Board or with the Canadian Privy Council.

Mr. ORLIKOW: Of course, the final jurisdiction rests with the Board with the exception, of course, that the Cabinet has the power, and it is now being asked to overrule the decision of the Board. But, Mr. Chairman, I would like to ask Mr. Sinclair how the Board can make a decision. How does Mr. Sinclair think that the Board of Transport Commissioners can make a decision on an individual case, be it "The Dominion" or "The Canadian" at some future date—and I want to come to the question of "The Canadian" in a little while—unless the Government of Canada has a transportation policy and unless the Canadian Pacific Railway has a transportation policy?

I want to ask Mr. Sinclair whether the Canadian Pacific Railway really feels it has a social responsibility, in the light of the agreement it made with the people of Canada when it was given the grants I have mentioned, to operate a transportation system including, Mr. Chairman, a railway transportation system, or whether it will only operate those parts of the system on which it can make a specific profit on the service.

Mr. SINCLAIR: Mr. Chairman and Mr. Orlikow, the Canadian Pacific, not only now but in the past, has stated and shown that it has an obligation to provide the best possible rail transportation that can be given. And, history and any objective analysis have shown that the company from its very inception right up to the present day has not failed in that regard.

Mr. ORLIKOW: Mr. Chairman, we are meeting here because the C.P.R., with the approval of the Board of Transport Commissioners—and, I say that quickly because if I did not Mr. Sinclair would properly correct me—has cancelled, wiped out, the Dominion train, which was a big part of its transcontinental service.

In the hearings before the Board of Transport Commissioners Mr. Emerson was being questioned, and on page 4924 Mr. Frawley, who acted for the province of Alberta—

Mr. SINCLAIR: He never acts for anyone else.

Mr. ORLIKOW: To continue, Mr. Frawley asked:

Now, that is not a transcontinental service at all, of course, Mr. Emerson, is it?

And, the answer was:

Well, it's—from the standpoint of somebody wanting to travel transcontinental really not, no. It's really from the standpoint of connected series of local services you might say.

Then, Mr. Frawley went on to put this question:

And you hardly expect any transcontinental business at all on that train, do you?

And, the answer was:

Not really, no.

So, Mr. Emerson, is it not true that the Canadian Pacific has finished with the Dominion, which was a very substantial part of its transcontinental service?

Mr. SINCLAIR: Well, Mr. Emerson is here and I will let him make a comment in this connection.

Mr. BELL (*Saint John-Albert*): Mr. Chairman, in order to help in the continuity of Mr. Orlikow's questions could we have inserted at this point chapter 234, section 315 (1) (b) of the Railway Act, which is a statute of Canada.

Mr. SINCLAIR: Chapter 234, section 315(1) (b) reads as follows:

The company shall, according to its powers, furnish adequate and suitable accommodation for the carrying, unloading and delivering of all such traffic.

And then, from section 3:

—having regard to all proper interests—

Mr. EMERSON: Would Mr. Orlikow mind repeating his question.

Mr. ORLIKOW: It will not be necessary for me to repeat all of it. The point I was making was that in the proceedings held before the Board of Transport Commissioners Mr. Frawley, acting for the province of Alberta, asked Mr. Emerson if, in the light of the dropping—and I will summarize the question I put—by the Canadian Pacific of the dining facilities on the Dominion, in the light of the dropping by the C.P.R. of the sleeping accommodations on the Dominion, whether the Dominion, as it was then operating, really could be called a transcontinental service.

● (1: 50 p.m.)

Mr. Emerson replied on page 4924—and I will just give one of the answers:

Not really, no.

Now, is that a correct summary of what happened to the Dominion before it was finally cancelled?

Mr. EMERSON: If you look at it in the proper context and bear in mind, of course, we were discussing the fact that over the time that the hearings were being held, which was September 27 or September 28, we were then in the winter season and the services being offered were very similar to that which had been offered in winter seasons for years past—since, in fact, 1960. Now, summer was another matter.

Mr. ORLIKOW: Yesterday there were a number of members who questioned Mr. Crump and Mr. Sinclair about the possibilities that the same fate would not befall the Canadian as has befallen the Dominion, and both Mr. Sinclair and Mr. Crump were pretty specific. I have not the text of yesterday's proceedings as

yet, but they said that this would not happen. I am glad Mr. Emerson is here because he appeared for the company in the hearings before the Board of Transport Commissioners.

Now, again, Mr. Frawley was questioning Mr. Emerson and I will read to you the question put and Mr. Emerson's answer. This is the question put by Mr. Frawley:

And Mr. Crump said to me once when I was asking some questions during the MacPherson Commission hearing and I said, full of confidence: Mr. Crump, you would never take the Canadian off and he looked at me, as he is able to look at people and said: Mr. Frawley, you would be surprised. Now, perhaps my surprise is now to be realized pretty soon. You will want to take the Canadian off.

Mr. Emerson's answer, at page 4941, was:

Well, we are not planning on it this year.

Now, Mr. Chairman, there is quite a difference in these statements and I would like to ask Mr. Emerson to elucidate on the difference between "Well, we are not planning on it this year." and the statements made yesterday by Mr. Crump and Mr. Sinclair that they intend to continue to run the Canadian.

Mr. EMERSON: Mr. Chairman, I will go further and say that that particular discussion with Mr. Frawley was in 1965, and that is past. I will go further: we do not expect to take it off in 1966 nor do we expect to take it off in 1967. Naturally, if you go farther down the road something else may happen.

Mr. ORLIKOW: Mr. Chairman, I am glad that Mr. Emerson is here because, in my opinion, his answers are short and he answers very well, and I would like to ask members to just think of what Mr. Emerson said. He made a commitment now that for the next three years we will have the Canadian, and after that, "I do not know."

The CHAIRMAN: Mr. Orlikow, I am somewhat concerned about the nature of your questions. You appear to be launching a trial procedure because you are looking at a transcript of the proceedings that will not appear in our records and you are, more or less, cross-examining so far as contradictions are concerned. As I said, Mr. Emerson does not have this transcription here. I think perhaps if you want to ask the same questions in a different way, Mr. Orlikow by asking: "Did you say this?" or "Did you say that?" Perhaps they would be more acceptable. But I think the way you are putting the questions now is out of line with the procedure of this committee.

Mr. HORNER (*Acadia*): No, no, Mr. Chairman.

The CHAIRMAN: Mr. Horner, would you permit Mr. Orlikow to continue?

Mr. ORLIKOW: Mr. Chairman, let me say that at any time Mr. Emerson feels that I am being unfair I hope he will say so. And, any time Mr. Emerson feels that he is unable to answer a question put by me from memory I invite him to say so, and he possibly could say that he would like to look at the record before he answers the question. I will not be critical of him for doing that.

The CHAIRMAN: I hope you understand my reason for bringing this to your attention.

Mr. ORLIKOW: In the same hearings before the Board of Transport Commissioners one of the other officials of the Canadian Pacific, who has a great

deal to do with the passenger operations, Mr. Fraser, again was being questioned by Mr. Frawley. The question was:

It gets back to your general position that you would like to get out of passenger business ultimately.

And, the answer, as given at page 4963 of the proceedings, is:

It gets back to a general position this: That in accordance with the undertaking of the company under its contract with the government, in keeping with the findings of the MacPherson Royal Commission, in keeping with the recommendations of the Economic Council of Canada, in keeping with the Food and Business Management, all these things point to the fallacy and the folly, if I can put it that way, of continuing to operate an uneconomic, a loss service. They all point in that direction.

I wonder if Mr. Emerson will comment on the fact that Mr. Fraser was saying it is quite possible the company will get out of all passenger business, if it continues in the way it does.

Mr. EMERSON: Mr. Orlikow, I am not a prophet or the son of a prophet and what may happen down the road in the years to come is impossible for me to say, and I suggest that it is impossible for any one here to say either.

As to your question of whether the company would like to get out of the passenger business, I would say definitely not. This company has a very long, honourable and proud tradition in passenger business; we have been a major transcontinental carrier up until recent years. It is a service we are reluctant to see disappear. There have been many pleasant and happy associations for those who have served over many years and we are very reluctant to see it disappear; but the inextricable forces of economic circumstances are such that regrettably it is being driven to its diminution. However, this is another thing and that is somewhere down the road.

● (2: 00 p.m.)

Mr. ORLIKOW: I would like to put another question to Mr. Emerson. Is it not strange that the Canadian Pacific is following one policy of getting out of the passenger business while the Canadian National is following the exact opposite policy of increasing passenger business. Do you not think this is a very strange set of circumstances?

Mr. EMERSON: I do not know that it is so strange, if you look at the different circumstances under which the two railways live and operate.

Mr. ORLIKOW: Well, Mr. Chairman, I know that the C.N.R. is a publicly owned and publicly financed corporation but the Canadian Pacific, as I have already indicated, also to a large extent, has been publicly financed.

Mr. EMERSON: I disagree with that.

Mr. ORLIKOW: I think the records will prove that. I think these same records demonstrate conclusively that the Canadian Pacific received substantial contributions from the government treasury.

Mr. EMERSON: Grants in aid of construction.

Mr. ORLIKOW: Now, let me finish. I will be very happy if Mr. Emerson will give a short answer to this question: Does he feel the Canadian Pacific has no

obligation to continue passenger services if passenger services lose some money in lieu of the very profitable rail and other operations which the Canadian Pacific has which were financed to a large extent by the people of Canada.

Mr. EMERSON: Well, first of all, I have to disagree; they were not financed to a large extent by the people of Canada. There were grants in aid of construction given to the company in return for which it undertook and faithfully fulfilled certain obligations. Now, as to the obligations, the social responsibility or whatever you want to call it, of the company, I think the duty and the responsibility of this company to Canada are to provide the most efficient transportation service possible, and that can only be done, in this changing world, by keeping up with the changes that take place, and there are many and they are very rapid.

Mr. ORLIKOW: Yesterday Mr. Crump and Mr. Sinclair talked about the operation of passenger services on the basis of effective demand and they put on the record the figures of the losses, not of the Dominion specifically but all of rail operations. It is obvious from the records that the losses started to snowball in 1960.

Mr. EMERSON: I am sorry but I am not clear what you are asking. Are you talking of losses of rail operations generally?

Mr. ORLIKOW: No, passenger operations. When did the Canadian Pacific begin to reduce the services—that is, the type of services—which were offered on the Dominion? When did the Canadian Pacific start to take off the dining cars, sleeping accommodation, mail service and so on?

Mr. EMERSON: Mr. Orlikow, I think you will find a synopsis of that in the judgment of the board itself, which has been previously referred to. It commences at page 7 and goes through pages 7(A), 7(B) and 7(C). There is set forth therein a synopsis of the operation of our transcontinental passenger service.

Mr. ORLIKOW: But these things did begin about 1960, did they not?

Mr. EMERSON: In 1960 there were certain changes, yes. The winter consist of the Dominion was substantially reduced.

Mr. ORLIKOW: What do you mean by that?

Mr. EMERSON: The number of cars and the type of accommodation provided by the train were curtailed, specifically through sleeping car services between Montreal and Vancouver, which were no longer provided.

Mr. ORLIKOW: How could the company expect new customers to make this transcontinental run from Montreal to Vancouver, Montreal to Winnipeg or Winnipeg to Vancouver if there was no sleeping accommodation. Did those responsible think in 1960 that people would avail themselves of these services when this type of facility was not provided?

Mr. EMERSON: No, but I think events took place in the other direction: First of all, there was not a sufficient number of people taking advantage of the services being afforded to warrant its continuance; it was the customers who departed first, not the service.

Mr. ORLIKOW: But, as of the time when you reduced the services the customers would be reduced even more, would they not?

Mr. EMERSON: Obviously. If you want to take the narrower point of view, you cannot reduce any service so long as there is one customer at some time and at some place wanting to use it. But, you do reach an impasse.

Mr. ORLIKOW: At that point, when it became obvious the customers were not using the Dominion, why did not the company at that time go to the Board of Transport Commissioners and say: "Look, this service is not being used; we would like to cancel it", instead of reducing the service over the years, and in that way virtually, in my opinion, facing the Board of Transport Commissioners with a fait accompli.

Mr. EMERSON: I suggest that the action we took would have put the Board of Transport Commissioners up against a much easier and simpler problem than if we took the course you propose as an alternative. In retrospect, perhaps we might have done that. But, in exercising our best judgment and hoping we would be able to retain some patronage in certain areas where there was a sleeping car service, remembering the train at that time, handled our head end traffic, we took the other course.

Mr. ORLIKOW: Yesterday Mr. Sinclair put on the record the number of employees who had lost their jobs as a result of these changes. Also Mrs. Rideout made a statement which left the impression—at least, I got the impression; I do not know how she felt—that the bulk of this small number—and I am speaking from memory; I think it was less than 200—were able to move down the line, as railroaders call it; in other words they were able to bump employees with less service, so there would be very little loss in terms of jobs. Did I summarize that correctly?

Mr. SINCLAIR: Mr. Crump put the figures on the record last evening and I think he started with too low a number; however, Mr. Emerson has the facts before him today, and I would ask him to give these figures.

Mr. EMERSON: Out of a total of 394 positions that were involved in the operation of both the Dominion and our Montreal-Toronto and Ottawa-Toronto service, 287 of them obtained alternative employment immediately.

Mr. ANDRAS: Did you say 287?

Mr. EMERSON: Yes, that is correct. Nineteen were to be offered alternative employment and the estimated net lay-off was some 88 persons.

Mr. ORLIKOW: I would like to be very specific with regard to this figure of 394; when you say "394" what is the date from which you calculate that?

Mr. EMERSON: The summary of the situation was at February 15.

Mr. ORLIKOW: It is the year I am referring to.

Mr. EMERSON: I am sorry. Just prior to discontinuance in both cases.

Mr. ORLIKOW: In 1965?

Mr. EMERSON: Later on than that, in 1966; January, 1966 in both instances.

● (2: 10 p.m.)

Mr. ORLIKOW: I wanted to discuss with Mr. Emerson the losses that have taken place since the Dominion began to be emasculated before it was finally killed. How many did you say would be without jobs?

Mr. EMERSON: There would be 88.

Mr. ORLIKOW: I have a letter here written by Mr. A. R. Blanchette, and this letter can be tabled, if you wish—International Field Representative of the Brotherhood of Sleeping Car Porters, in which he states as follows—and this does not conflict with Mr. Emerson's figure:

Job loss respecting porters as of September 7, 1965, on which date "The Dominion" was skeletonized by removal of dining and through sleeping cars...168.-

Porter jobs lost by recent withdrawal of the skeletonized train—"The Dominion"—and, in addition thereto, complete withdrawal of passenger service by the C.P.R. in the Toronto-Montreal-Ottawa area: Montreal district, 19; Toronto district, 10; Winnipeg district, 3, for a total of 32, making a grand total of 200.

Now, if that figure is correct I wonder if Mr. Emerson could tell us where these 200 people are being absorbed?

Mr. EMERSON: Well, I think you have to recognize that the figures which Mr. Blanchette has given you evidently are based on the 1965 summer service on the Dominion at which time, of course, there were sleeping cars as well as dining cars operating on that train. They were staffed, however, to a very considerable extent by temporary employees who, as they normally do, return to their studies. To bear this out, we had during 1965 a total of 408 temporary employees hired as sleeping car porters and of that number 393 were students and 15 were off the street. There were some 300 students, in the normal course of events, who returned to their studies and were not available from then on.

Mr. ORLIKOW: But, the following summer, when they would be looking for jobs they would be unable to look to the Canadian Pacific for these jobs.

Mr. EMERSON: Well, that is another matter. Perhaps we might be able to offer them more rewarding and beneficial employment.

Mr. ANDRAS: Perhaps the next year a good number of those would not be available for employment.

Mr. ROCK: No, they may have become doctors, lawyers and so on.

Mr. ORLIKOW: How many permanent employees of the Canadian Pacific who are members of Mr. Blanchette's organization will be out of jobs as a result of the discontinuance of the Dominion and the changes in the Montreal-Toronto-Ottawa line?

Mr. EMERSON: I am sorry but I cannot give you that figure.

Mr. ORLIKOW: Then I will do what I said I would: could you get that information for us and bring it to us at a later date?

Mr. EMERSON: It is not a simple count of noses, as you suggest. The major effect, I will say, in this field, of course, came as a result of the discontinuance of our Ottawa-Toronto and Montreal-Toronto services. This is the one that had major effect on dining car personnel and on parlour cars stewards.

Mr. ORLIKOW: But, surely Mr. Emerson, after all, one of the things which you have in the railway business as a result of collective bargaining is what is called the check off of union dues. It should not be too difficult for the Canadian Pacific to tell the committee—and I am not asking for this information immediately—how many people are employed by the Canadian Pacific belonging to the

Brotherhood of Sleeping Car Porters at the present time. How many belonged at this time last year? How many belonged at this time the year before? That should not be too difficult.

Mr. EMERSON: No, perhaps not. But, of course, the problem is, in part, there is a staff turnover; there are always changes taking place from time to time, resignations, new hirings, promotions, what have you, and to take these figures and impute the difference it has brought about solely by changes of train service might give a wrong conclusion.

Mr. ORLIKOW: Mr. Emerson, you cannot take exception to what I asked. I did not ask what happened to persons A,B,C,D, E. If two years ago, you had, for the sake of illustration, 500 porters working for whom you were making a check off of dues to the union, how many have you now?

Mr. EMERSON: We would be quite willing to take a look at that and see if those figures are available.

Mr. ORLIKOW: Can we go back to 1959.

Mr. EMERSON: Well, if you want us to go back to 1959 we would be going quite a way back in the records. We do not keep these records for an indefinite number of years. After all, storage space becomes a problem and there would be a matter of access to them. But, we will go back two or three years and look at the situation to see what we can produce and supply to you, remembering, however, that there may be many other things besides the changes that we are talking about here that play a factor in these returns or the changes in the number involved.

Mr. ORLIKOW: I would ask you, Mr. Emerson, to try and get the figures from 1959 because I am quite certain the union concerned are going to come to give their figures. I am giving you notice that, in any case, you are going to have to check your figures.

I would like now to turn to another group of employees, the employees of the dining car service, who are members of the Brotherhood of Railway Trainmen. I have a letter from Mr. John Browne, their general chairman, which I can also table. The figures he submitted do not tally at all with the figures that were given to us by Mr. Emerson and Mr. Crump, unless they are dealing with a very narrow period of time of the last couple of years. What Mr. Browne deals with is the period from the time when the service on the Dominion began to be emasculated. I will summarize this letter but I can supply it to Mr. Emerson or to the committee if that is their wish. Mr. Browne says that in the winter season of 1959-1960—

Mr. BYRNE: Is this fellow going to be the only one speaking? May I suggest that an hour has gone by since he started speaking. Perhaps some other member would like to ask some questions.

Mr. ORLIKOW: I have sat here most of yesterday.

Mr. BYRNE: So did I.

Mr. ORLIKOW: I will be very happy, if the Chairman so directs me, to stop. It does not matter to me whether I do the questioning in one period, in two periods, or in five periods. I am under the direction of the Chairman. If the Chairman would like me to stop, I can complete this part of the actual operation of the C.P.R.

Mr. BYRNE: Some change in speaker would help.

The CHAIRMAN: Could you please finish your line of questioning, Mr. Orlikow? It has been brought to my attention by a number of members that some time has now elapsed. You realize that someone else should be allowed to ask questions. Please just finish your line of questioning.

● (2: 20 p.m.)

Mr. ORLIKOW: According to Mr. Browne the number of dining car employees on the two transcontinental trains, the Dominion and the Canadian—this is in the winter of 1959-60—were 355. In the winter season of 1965-66, the number of dining car employees on the one train left—the Canadian—was 174. The job loss caused by the removal of the Dominion therefore was 161 jobs. Also approximately 50 spare jobs were taken up in leave for vacation, et cetera. I wonder if Mr. Emerson would have any comment to make or would like to check the records on that.

Mr. EMERSON: You must have misquoted one year. I understood you to say 1955-56.

Mr. ORLIKOW: I meant 1959-60. There were 355 jobs in 1959-1960, 174 in 1965-1966, and a job loss as a result of these changes of 161, plus 50 spare jobs for leave for vacations.

Mr. EMERSON: 181 is the right figure.

Mr. ORLIKOW: Mr. Browne must have made a mistake then.

Mr. EMERSON: I will certainly make this obvious comment. You are looking here at a period of some six years. There has been a reduction in the transcontinental passenger trains unfortunately and there has certainly been a reduction in the number of job opportunities unfortunately, but this again is part of the inevitable consequences of the deterioration of the effective demand for the service.

Mr. ORLIKOW: According to Mr. Browne the removal of the Montreal to Toronto trains—trains 21 and 22—on October 1, 1965, led to a loss of about 40 jobs. Does that sound like a reasonable figure?

Mr. EMERSON: In that ball park, I suppose.

Mr. ORLIKOW: Mr. Browne says further that in October 1953 there were 787 employees in the dining car department, and the number in February 1966 went down to 350 employees, entailing loss in this department alone of 437 jobs. Does that sound like a fair summation of what has happened?

Mr. EMERSON: Obviously I could not say whether those figures are accurate or correct without checking them. It does not sound impossible. Of course no one should draw the inference that because these people have been displaced from the employment that they formerly held on these particular trains they are necessarily out of work; they may well have moved into alternate employment either within or outside the company.

Mr. ORLIKOW: But they would not have any rights, as a result of seniority agreements, to jobs with the C.P.R., would they?

Mr. EMERSON: It all depends; some would and some would not.

Mr. ORLIKOW: Mr. Browne estimates that the removal of the Dominion for the summer—in the way it has been run recently—has meant that 400 summer jobs, mostly manned by university students, will be lost. Is that right?

Mr. EMERSON: That does not sound out of the way. Obviously those positions will not be offered in this service.

Mr. ALLMAND: Mr. Chairman, I have something to say on a point of order with respect to the remarks made yesterday by Mr. Horner regarding the movement of freight with wheat and so forth. I am wondering whether we are not getting off the subject. We are discussing the labour situation which will result from the passenger service. Our terms of reference are to discuss the adequacy of the passenger service and not the effect on labour conditions or how many men will be laid off.

The CHAIRMAN: If you will read the terms of reference carefully they say:

That the subject matter of the adequacy of the present program and future plans for passenger service on the lines of the Canadian Pacific Railway to meet the effective demand of the public for such service and the effects of such program and plans be referred to the Standing Committee on Transport and Communications for their consideration and report.

It is pretty wide ranging, so this is in order, I think.

Mr. ALLMAND: I want to make sure it is.

The CHAIRMAN: You have no point of order.

Mr. ALLMAND: Do you think we should discuss this?

The CHAIRMAN: This is part of the terms of reference, the effects of the passenger service or the abandonment of the passenger service.

I will ask Mr. Orlikow to speed up his questioning.

Mr. ORLIKOW: I have just one more question. I would like Mr. Emerson, either now or at some future time, to explain to the committee the following. Mr. Crump—and I am not being critical—said yesterday that most of these people who will not be working on the Dominion will be able to bump, and so on. I would like Mr. Emerson to tell the members of the committee what it means when a job is lost and a person has to bump somebody else. If he moves, as he often has to move, from Ottawa and Winnipeg to some other town and so on, and this is done because the company has properly decided in its wisdom that it is good business and good policy, does the company make any contribution to the cost of moving, to the cost of transportation of the family, and the cost that may be entailed in the selling of one house and the purchase of another, et cetera?

Mr. EMERSON: Very few, if any, of these people would be required to move. They would virtually all, I expect, exercise their seniority at the terminals to which they are assigned.

Mr. ORLIKOW: But suppose they do have to move?

Mr. EMERSON: If they have to move, you have to bear in mind that this is not a move that is, shall I say, initiated or required by the company; it is a move that is allowed them under the terms of the agreement if they wish to do so in order to exercise their seniority and hold a position at a different point. This is not a requirement but a privilege, if you will. If it involves a move of residence, the company does move the household effects. However, we do not cover such things as loss in value of homes and so forth because this is not our responsibility.

Mr. ORLIKOW: I appreciate that I have taken a full hour. I do want to say that I have another line of questioning which I would like to pursue at a later time. I have a line of questioning which, since the company raised the question, involves the relationship between the C.P.R. and its subsidiary companies such as the Canadian Pacific Investments. I think this is important if we are going to look at the whole picture which we have to face.

The CHAIRMAN: We will deal with that when the time comes.

Mr. ORLIKOW: I appreciate the time that I was given.

The CHAIRMAN: I want to impress upon members that if they cannot cut their questions down, then everyone will not have a time to ask all their questions. I would like to give an opportunity to those who have not questioned the witnesses the first time to do so.

Mr. ALLMAND: I wonder if this committee would consider imposing a limit on the time spent on questioning as we do in the House, of maybe half an hour or so?

The CHAIRMAN: I am not in favour of imposing a limit on any questions. This has not been the practice of any committees since I have been here and I do not intend to make it the practice of this committee. However, the Chair feels that the members should exercise some discretion.

● (2: 30 p.m.)

Mr. ANDRAS: I have a question but it does not relate to the management of the C.P.R. but to procedure in this committee. Is it not possible to get daily transcripts of our meetings? The continuity of this phase of our meetings is important.

The CHAIRMAN: We are going to obtain the evidence of this committee's hearings as fast as we can. The reporting staff and the clerk are doing all they can to speed up their work and also the translation of the record into English and French is being done as quickly as possible. However, there are other committees meeting and the members know the problems that we have had. We have already put in a request for this committee's transcript of evidence and I understand it will be processed as quickly as possible. However, I will bring it to the attention of our clerk once again.

Mr. PASCOE: Mr. Chairman, I think I can be fairly brief because quite a few of the questions I wanted to ask regarding the curtailment of the Dominion have been asked and answered, but I have three or four direct questions to which I would like to obtain the replies of the C.P.R. officials.

First of all, I have a very general comment to make and I imagine it is more of a local nature than of national interest. I support the statement made by Mr. Sherman yesterday that the C.P.R. did not do too good a job of telling the public why they discontinued the Dominion. I think the general impression is that the Dominion left the public rather than that the public left the Dominion. I am almost in the same category myself: I think you curtailed the service to such an extent that the public stopped using it.

I want to make two or three general remarks, and this first one has been dealt with many times. In the summary of your brief where you speak of passenger transportation in Canada you mention convenience and comfort. That appears in page 2 of your summary. Those are the two points that I think we

should emphasize here, that convenience and comfort were not provided for the travelling public so as to encourage them to use the Dominion. I have some proof of this from what was said at the meeting of all the mayors from the cities from Calgary to Winnipeg. Their comments make very interesting reading. They ended up the meeting by stating that they actually support a national rail transportation policy with public service in mind. I stress the words "public service" because that is the objection to using the Dominion. They did not think it met the requirement of public service.

The second point is on page 12 of your main brief where you speak about the economic and social impact of cancelling a passenger service. Here my point of view is very local because I am speaking about my own city of Moose Jaw. I wish Mr. Crump were here because he used to work in Moose Jaw and he remembers the time when Moose Jaw was called "the railroad city of the west". A full divisional point was there and so was the round house. It was a very active point. Now the round house is used no more and the depot is not used very much. The big offices of the C.P.R. were rented to the city for a city hall. I do not want to say Moose Jaw has gone back because it has progressed in other ways but certainly from the economic and social point of view I think that Moose Jaw has suffered to quite a large extent. I am just trying to emphasize that other considerations should be looked at besides the profit and loss budget of the C.P.R. I think the economic and social effects should also be considered. I know it is very sad to see the old C.P.R. steam locomotives sitting in the main part of Moose Jaw. They remind the people of the good old days. That is the point I am trying to emphasize here.

May I repeat some of the comments that were made at the mayors' meeting? The Medicine Hat public works director said that in allowing the discontinuance of the Dominion, the transport commissioner had not weighed the social and economic impact on the communities of the C.P.R. main line. It was up to the federal government to consider this. I will emphasize a point that has been brought up several times. Since western Canada has provided the C.P.R. with millions of dollars in wheat, oil, cattle and potash hauling, we not only deserve a passenger service but we should be getting a stepped up service. That is the general remark which I wish to make.

Now I have two or three very direct questions. Yesterday I referred to a telegram from Mr. Spence, the commission counsel of the C.P.R.

The CHAIRMAN: Mr. Pascoe, is this the telegram which you read yesterday regarding grain shipments?

Mr. PASCOE: No, it is not. In the telegram Mr. Spence wrote the following:

To avoid serious inconvenience to the public, additional accommodation and services are being provided with train "Canadian".

This is just a personal problem but as soon as I heard, early in January, that the Easter recess will start on April 6 I phoned immediately to make my reservation home to Moose Jaw and they put me on a waiting list as early as that. Of course I understand that Easter will be a busy time. Will there be available accommodation on the "Canadian" and how will this be done? Will more coaches be provided? I read that C.P.R. are ordering stronger diesels. Are more coaches going to be put on?

Mr. EMERSON: This is not a passenger service. The limitation on the length of passenger trains is not one regarding the power of the diesels to pull them. In wintertime you run into the difficulty of heating trains with steam which is supplied from the head engine and involves forcing steam back a quarter of a mile or more against the low temperatures with which you are familiar and with which I am also familiar because I worked in Moose Jaw and in Regina years ago. I remember these things very well. All this poses a considerable problem. In the summer you are not limited in quite that way but the length of the trains, for the purpose of servicing the number of passengers, is not unlimited either.

As to additional services, are you referring to this coming Easter?

Mr. PASCOE: Yes. I am going west on April 6.

Mr. EMERSON: Of course there are peaks. Obviously I could not tell you what the situation is without checking with the reservation bureau. I did that and I also doublechecked to make sure.

Mr. PASCOE: I realize this will be Easter time.

Mr. EMERSON: And it is also a peak time. We meet those problems as do other transportation companies.

As to the social impact on the communities, I remember very well what Moose Jaw was like in the years when I was there, in 1936 and the years following that. Of course the changes to which you have referred have been numerous. However, I think they have taken place very gradually over a period of time. Perhaps this was the sort of thing that we had attempted to implement with the Dominion itself. I was discussing the gradual reduction in service with Mr. Orlikow because it does ease the impact of these events occurring at one time and it permits the communities involved to make adjustments.

In so far as the Dominion itself is concerned, there are fewer than 100 people scattered across this country who are involved in loss of employment both from the Dominion and the Ottawa-Toronto and Montreal-Toronto service, so surely the impact on any one community cannot be very great.

Mr. PASCOE: I do not only mean the loss of employment, I also mean the standing of the city itself and to a certain extent that is also important because it is a railway city.

Mr. EMERSON: I suppose there are advantages on the other side such as the improvement of the coach line services, and the new airport which you share with Regina, although, I realize, Regina has the bigger share.

● (2: 40 p.m.)

Mr. PASCOE: I said I had two or three direct questions. I have one more. This may sound facetious, but it certainly is not. Mr. Crump refuted the suggestion that the C.P.R. deliberately downgraded the Dominion so they could get out of the service. Would the C.P.R. consider operating the Dominion, the way it used to operate it with the full consist of dining car and sleeping car accommodation, on the basis of a trial period use or lose? Is this practicable at all? Can the public be given a chance in this way?

Mr. EMERSON: We know very well what the result of this is or would be, based on the experience of last summer.

Mr. PASCOE: Last summer it did not have the full consist.

Mr. EMERSON: I think it did, from that part of June through to Labour Day.

Mr. PASCOE: Could the people decide whether they want it or not?

Mr. EMERSON: We had that experience before.

Mr. PASCOE: You did not put it to them. They did not know that they were going to lose it.

Mr. EMERSON: I have to refer you to the fact that if you look at what was happening from the competitive standpoint you will recall a series of advertisements that have recently been run by Air Canada showing that they had an increase in passengers of 28 per cent as compared to the previous year and have added 1,186 seats a day in the next year and a quarter. That is a fantastic addition in transportation and is far in excess of the growth of the market.

Mr. PASCOE: Did you have advertisements like this informing the public that the Dominion was going to be cancelled?

Mr. EMERSON: I can tell you that a number of other railways have tried it. At one time a series of advertisements were run in the newspapers in Montreal and New York about an overnight passenger service between Montreal and New York which runs into the Windsor Station. This is not our operation. The public was urged to use this service if they wanted it to continue. They could not expect it to operate as a standby service for those days in which one of the airports might be clogged because of snow, fog or rain. This service could not be simply used as a standby. However, the result has not been fruitful.

Mr. PASCOE: I have one more question. Reference has been made before to the early hours when the Canadian goes through Moose Jaw. I myself catch it at 2 o'clock in the morning. However, there is a fair amount of inter-city travel between Regina and Moose Jaw and Swift Current to Winnipeg or Calgary. What is the possibility of the C.P.R. putting in a day liner or a rail liner for that service? That service would be used extensively if the hours were more convenient. A lot of the people would sooner travel by train than by car because of road hazards.

Mr. EMERSON: Again that was a matter that was brought up and considered by the Board of Transport Commissioners. We supplied certain figures on the revenues and expenses of that operation as we saw them. The Board did not completely accept them but said in a sense, "If you double the revenues and reduce the expenses sharply, you will still have a serious loss of a quarter of a million dollars a year". It is therefore not fruitful to do so.

Mr. PASCOE: Are there day liners or rail liners available that could be tried there?

Mr. EMERSON: All the rail liners we have are in service.

Mr. PASCOE: I have one more question which you might consider facetious. Would the C.P.R. consider giving joint running rights to the C.N.R. if they operated a day liner between Calgary and Winnipeg?

Mr. EMERSON: Let me put it this way: If there were justification and, I will say, an effective demand, for a day liner service between Calgary and Winnipeg or any other point over our lines, we believe we could operate it more effectively and more efficiently than the C.N.R.

Mr. PASCOE: Just one last point; this is one that I was asked to make. The C.P.R. employees and retired employees regarded their railway passes as part of their remuneration. These passes were good for travel on the Dominion. Are they good for travel on the Canadian?

Mr. EMERSON: Yes, sir, under certain restrictions. We recognize the disability that this situation has put on our employees. We are not unaware of this. This is one of the unfortunate consequences of the reduction in service. However, I may say in fact that in any proceedings that we have been involved in with regard to wages the question of past privileges has not been a factor taken into account.

Secondly, with respect to the over-all situation of passes as compared with other industries who, by way of consideration for their employees provide them with such passes, of course, traditionally and historically it is one that is peculiar to the railway industry which provided its employees with a 100 per cent reduction of cost. As you know, for example, the department stores usually grant a 10 or 20 per cent concession for a predictable period in the year. However, the railway employees have the right to the unrestricted use of the Canadian on the basis of a 50 per cent fare reduction.

Mr. PASCOE: What about retired employees?

Mr. EMERSON: It applies to anyone.

Mr. PASCOE: I do not want to pursue some of the points that have been mentioned.

The CHAIRMAN: I want to bring to the attention of the committee that we have ordered coffee and we will have a 15 minute break.

I believe Mr. Sinclair wishes to answer one of the questions that was put to him.

Mr. SINCLAIR: I think, Mr. Pascoe, you made reference in your opening remarks to the social and economic factors. You quoted somebody as saying that the Board did not take them into consideration. I think, Mr. Chairman, that arose from an unfortunate misunderstanding of what the Board really did. I think it arose, as I mentioned yesterday, out of some language in the opinion of Mr. Commissioner Griffin. I said yesterday that what he was saying was this: Not that the Board did not take them into account in balancing public convenience and necessity as against the railway loss, but what he was dealing with here was that under the Railway Act they have no jurisdiction to consider the economic and social conditions and that the proper jurisdiction of the Board is set out and quoted. The points that they do take into account, including the economic and social effect on communities, are set out in the judgment and in the notes of the Chief Commissioner, and we quote that in our brief.

The CHAIRMAN: Mr. Byrne.

Mr. BYRNE: Mr. Chairman, I would like for a moment to go back to the question of employment and the effects that the reduction in passenger service has had on the employment situation. This has been raised by Mr. Orlikow.

My question is a simple one. I would like to know what is the total employment picture with respect to the operating end of the Canadian Pacific Railway since it began curtailment of the passenger service.

The CHAIRMAN: You are referring to rail?

Mr. BYRNE: To rail operations, yes.

Mr. EMERSON: Mr. Byrne, I have some figures here which may indicate the trend to you. There are of course ups and downs in the whole picture.

Taking 1949 as a beginning point, we had in that year an average of 69,520 employees in our railway operations. This excludes express operations. Those numbers have fluctuated up and down in succeeding years, as you would expect. First of all in regard to traffic volume, in 1952 for example they rose to a peak of 75,336. Since that time, they declined in 1955 to a figure of 66,295. Then, in 1956, again with a rise in volume of traffic, it increased to 69,575. Since then there has been a rather steady decline to 5,756 in 1963. In 1964 it rose slightly to 51,128. It will be up again in 1965 as a result of traffic volume. This of course is the effect of many things. It is the effect not only of passenger services but of dieselization, which is very largely covered in this period. It reflects the effect of increasing productivity, which is a very essential part of the railway industry if it is to stay alive to remain competitive and to be of service to this nation.

Mr. BYRNE: My question was in relation to the amount of decline in employment since the immediate curtailment of the passenger service, that is since "The Dominion" went on to summer services and so on and the eventual elimination of "The Dominion". In that period were you able to absorb most of those who were displaced?

Mr. EMERSON: Yes, sir. I think that is borne out by the figures I gave to Mr. Orlikow which showed that there were involved in both "The Dominion" and, as I mentioned, our Ottawa-Toronto and Montreal-Toronto train services a total of 394 positions abolished, of which after alternative employment given and offered there were only 88 who were apparently displaced and laid off.

Mr. BYRNE: These people would be porters and so on? They would not be operating personnel, would they?

Mr. EMERSON: The big number is in sleeping, dining and parlour car personnel.

Mr. BYRNE: Do the union agreements prevent these people from exercising their seniority in respect of other types of work?

Mr. EMERSON: That is correct, and also, of course, in many instances they restrict the areas in which seniority can be exercised.

Mr. BYRNE: I would like to go back to what I believe is perhaps the most important part of our enquiry—at least it is in so far as I am concerned. Almost any time there is any indication that the Canadian Pacific is going to curtail services the question of land grants immediately arises. I think it is foremost in the people's minds. There is an impression that something was given in addition to the profits that were made by the railways and that it was something that was so vast in character that the railways should go on for ever making up for these grants.

As far as I am concerned your brief has caused just a little more confusion in that on page 25—and Mr. Sinclair may have made a point on this which I missed—it is stated as follows:

In 1879, Parliament by resolution appropriated 100 million acres of land, from the proceeds of which it was hoped to finance construction.

Then, later on it breaks down to 25 million less eight million, which was returned to the government in payment of a loan.

What actually happened then to the 100 million acres?

Mr. EMERSON: 1879, of course, was before the formation of the Canadian Pacific Railway Company. The appropriation in 1879 was a hope in the minds of parliament that setting aside this amount of land would be an inducement to someone to come forward and undertake the construction of the railway. It was unsuccessful. The present agreement was formed in 1870 and it was ratified by statute in 1881. Whatever happened to the other 85 million —

Mr. BYRNE: So the total land grant in respect to the transcontinental railway was something like 17 million acres effectively?

Mr. EMERSON: Yes, sir, that is correct.

Mr. BYRNE: Then the Canadian Pacific Railway did undertake an extensive colonization program.

Mr. EMERSON: Yes, sir.

Mr. BYRNE: In what way did you dispose of the land? When a colonist was brought out, did he pay a certain amount per acre? Was he given so much land? Or did he buy quarter sections or half sections?

Mr. EMERSON: I think generally there were sales contracts under which he could, of course, if he wanted pay for it outright, but frequently they were contracts for which he would pay over a period of years. He could buy it on an instalment plan, if you will.

Mr. BYRNE: As a matter of interest, you would not have some idea of the figures for the earlier settlers and the figures for a later period?

Mr. EMERSON: We may have some figures, but perhaps not here. However, Mr. Sinclair is just looking.

The CHAIRMAN: While the witnesses are looking for the information would you care to have a 10-minute break? Or would you prefer to have the witnesses answer the question first and then take a brief stretching period?

Mr. HORNER (*Acadia*): I suggest we should take the break while the witnesses are looking for the material.

The CHAIRMAN: We will recess now in order to allow the witnesses to look up the answer, and we will return in 15 minutes.

The committee recessed at 2.48.

The committee re-convened at 3.03.

The CHAIRMAN: There is no quorum at the moment but may I say for the information of the witnesses that the members are wanted in the House.

Mr. HORNER (*Acadia*): Are we going to sit beyond 4 o'clock, Mr. Chairman? Let us make a decision on that now so that we will know where we are.

The CHAIRMAN: It is 3.05. Yesterday we moved to sit until 4 o'clock today. I do not know whether we will be able to be back here by 4 o'clock; this is the problem, of course. If a vote takes place in the House, then we can come back to the committee until 4 o'clock.

Mr. ORLIKOW: I was in the House a moment ago after the motion was made, and Mr. Fulton started to speak and Mr. Pennell was on his feet, so obviously he intends to speak. Therefore, it will not be much before 4 o'clock when the vote is taken.

Mr. HORNER (*Acadia*): Let us adjourn until next week.

The CHAIRMAN: Perhaps we can stay here until the vote.

Several Hon. MEMBERS: There will be no bell, Mr. Chairman. The House is in committee.

Mr. ORLIKOW: We have a long way to go; we cannot finish today for sure. Why not adjourn now.

The CHAIRMAN: Alright. I think, Mr. Orlikow, that will be the best procedure to follow.

We will adjourn now until Tuesday at 9.30 a.m. I apologize to our witnesses for having to adjourn prematurely.

Mr. McINTOSH: Mr. Chairman, I have many questions on information that I felt the officials could produce over the weekend.

The CHAIRMAN: Perhaps you would like to put on record what it is you want. Just speak to it now and then ask your questions on Tuesday morning. I will let you put it formally on Tuesday.

Mr. McINTOSH: Perhaps it would be better to leave it until Tuesday.

The committee adjourned at 3.10 p.m. until 9.30 a.m. Tuesday, March 8.

HOUSE OF COMMONS

First Session—Twenty-seventh Parliament

1966

STANDING COMMITTEE

ON

TRANSPORT AND COMMUNICATIONS

Chairman: Mr. JOSEPH MACALUSO

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 4

TUESDAY, MARCH 8, 1966

Respecting

The subject-matter of the adequacy of the present program and future plans for passenger service on the lines of the Canadian Pacific Railway.

WITNESSES:

From the *Canadian Pacific Railway*: Messrs. R. A. Emerson, President and Chief Operating Officer and I. D. Sinclair, Vice-President and Member of the Board and Member of the Executive Committee.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1966

23731—1



STANDING COMMITTEE
ON
TRANSPORT AND COMMUNICATIONS

Chairman: Mr. Joseph Macaluso

Vice-Chairman: Mr. Gustave Blouin
and Messrs.

Allmand
Andras
Bell (*Saint John-Albert*)
Byrne
Cantelon
Carter
Deachman
Fawcett

Honey
Horner (*Acadia*)
Lessard
McIntosh
Mitchell
Olson
Orlikow
Ormiston
(Quorum 13)

Pascoe
Rapp
Rideout (*Mrs.*)
Rock
Sherman
Southam
Tolmie—(25)

Maxime Guitard,
Clerk of the Committee.

ORDERS OF REFERENCE

Thursday, March 3, 1966.

Ordered,—That on Thursday and Friday, March 3 and 4, 1966 the Standing Committee on Transport and Communications be authorized to sit while the House is sitting.

Monday, March 7, 1966.

Ordered,—That on Tuesday, March 8, 1966 the Standing Committee on Transport and Communications be authorized to sit while the House is sitting.

Attest.

LEON-J. RAYMOND,
The Clerk of the House.

REPORT TO THE HOUSE

Monday, March 7, 1966.

The Standing Committee on Transport and Communications has the honour to present its

SECOND REPORT

Your Committee recommends that it be authorized to sit while the House is sitting, such authority to have effect for Tuesday, March 8, 1966, only.

Respectfully submitted,
JOSEPH MACALUSO,
Chairman.

(Concurred in on Monday, March 7, 1966.)

MINUTES OF PROCEEDINGS

TUESDAY, March 8, 1966.

(6)

The Standing Committee on Transport and Communications met at 9:43 o'clock a.m. this day. The Chairman, Mr. Macaluso, presided.

Members present: Mrs. Rideout and Messrs. Allmand, Andras, Bell (*Saint John-Albert*), Blouin, Byrne, Cantelon, Carter, Deachman, Fawcett, Horner (*Acadia*), Macaluso, McIntosh, Olson, Ormiston, Pascoe, Rock, Sherman, Southam, Tolmie (20).

Also present: Messrs. Howe (*Wellington-Huron*), Knowles and Lewis.

In attendance: From the *Canadian Pacific Railway*, Messrs. Emerson, President and Chief Operating Officer and I. D. Sinclair, Vice-President and Member of the Board and Member of the Executive Committee.

The Committee resumed its consideration of the subject-matter of the adequacy of the present program and future plans for passenger service on the lines of the Canadian Pacific Railway.

Then the witnesses were called and examined thereon.

At 11:00 o'clock a.m. the Committee recessed until 11.20 o'clock a.m.

When the Committee reassembled, it was moved by Mr. McIntosh, seconded by Mr. Rock, and

Resolved unanimously,—

That the Committee sit from 3:30 to 6:00 o'clock this afternoon and from 8:00 to 10:00 o'clock this evening.

At 1:00 o'clock p.m. the Committee adjourned until 3:30 o'clock this afternoon.

The examination of the witnesses continuing.

AFTERNOON SITTING

Tuesday, March 8, 1966.

(7)

The Standing Committee on Transport and Communications reconvened at 3:33 o'clock p.m. this day. The Chairman, Mr. Macaluso, presiding.

Members present: Messrs. Allmand, Andras, Bell (*Saint John-Albert*), Byrne, Cantelon, Carter, Deachman, Fawcett, Horner (*Acadia*), Macaluso, McIntosh, Mitchell, Olson, Ormiston, Pascoe, Rapp, Rock, Sherman, Southam, Tolmie (20).

Also present: Messrs. Howe (Wellington-Huron), Lewis, Smith (3).

In attendance: Same as at this morning's sitting.

The Committee resumed its examination of the witnesses, always in relation to the subject-matter of the adequacy of the present program and future plans for passenger service on the lines of the Canadian Pacific Railway.

At 6:00 o'clock p.m., the Committee adjourned until 8:00 o'clock this evening.

The examination of the witnesses continuing.

EVENING SITTING

(8)

The Standing Committee on Transport and Communications reassembled at 8:05 o'clock this evening. The Chairman, Mr. Macaluso, presided.

Members present: Mrs. Rideout and Messrs. Allmand, Andras, Bell (Saint John-Albert), Blouin, Byrne, Cantelon, Carter, Deachman, Fawcett, Honey, Macaluso, McIntosh, Mitchell, Olson, Ormiston, Pascoe, Rock, Sherman, Southam, Tolmie (21).

Also present: Messrs. Howe (Wellington-Huron), Knowles, Lewis, Smith (4).

In attendance: Same as at this morning's and this afternoon's sittings.

Always in relation to the subject-matter of the adequacy of the present program and future plans of passenger service on the lines of the Canadian Pacific Railway, the Committee continued to examine the witnesses from the C.P.R.

The Committee having completed the examination of the witnesses, Messrs. R. A. Emerson and I. D. Sinclair retired, subject to be recalled.

At 10:00 o'clock p.m. on motion of Mr. Ormiston, seconded by Mr. Rock, the Committee adjourned to the call of the Chair.

Maxime Guitard,
Clerk of the Committee

EVIDENCE

(Recorded and Transcribed by electronic apparatus)

TUESDAY, March 8, 1966.

The CHAIRMAN: We have with us now copies of the agreements of 1880 with the C.P.R. and the statute incorporating the C.P.R. and the addenda to those; they can be handed out to members. We have the maps you requested, Mr. Bell, of both the C.N.R. and C.P.R. lines and also the maps of the Atlantic coast.

We do have the permission of the House to sit while the House is sitting today. I am hoping we can complete our preliminary questioning of the C.P.R. officials today. We shall see how we proceed. We will have a break at 11 o'clock for coffee and convene again at 11:15 o'clock. There were some questions that Mr. Byrne had asked on Friday. Mr. Emerson advised me that he has some answers to those questions and to the questions that were put by Mr. Pascoe. We will commence with the answers to Mr. Orlikow's questions. We will get the answers to those questions and then we will continue with Mr. Byrne's questions.

Mr. EMERSON: Mr. Chairman, and gentlemen, the question asked by Mr. Orlikow was as to the number of sleeping car porters and dining car employees in the service of the Canadian Pacific for a number of years back. Dealing first of all with dining car employees, the figures I have are for the month of January in each year. In January, 1958, we had 600 dining car employees; in 1959, 536; in 1960, 525 and in 1961, 413; in 1962, 425; and in 1963, 376. Then in 1964 it increased to 531; in 1965, 444 and in 1966, 386. From these figures you will note the low point was reached in January 1963. It rose the following year because between those times the Fare-saver plan was introduced which stimulated travel. And while it has since declined, still in 1966 it was higher than it was in 1963.

● (9:50 a.m.)

The same picture is true of sleeping car porters and the figures again are: 1958, again the month of January, 677; 1959, 549; 1960, 452; 1961, 348; 1962, 315; 1963, 304; 1964, 329; 1965, 305; and 1966, 259.

Then, Mr. Chairman, there was also a question asked by Mr. Pascoe concerning space available on the Canadian, leaving eastern Canada, Montreal and Ottawa here on April 6. I have checked the space situation for that date. We have three sleeping cars on that train with room accommodation. In each instance that accommodation is occupied for some part of the journey at least, between here and Moose Jaw. For example, drawing room A in car 107 is occupied from Ottawa to Calgary and also from Calgary to Vancouver. Bedroom B is occupied from Montreal to Vancouver; Bedroom C from Montreal to Winnipeg and Bedroom D from Pembroke to Port Arthur.

On car 105, drawingroom A is occupied from Ottawa to Vancouver; bedroom B from Ottawa to Calgary, and from Calgary to Vancouver. Bedroom C from Montreal to Calgary; bedroom D from Montreal to Portage la Prairie. Car 101; drawing room A is reserved from Kenora to Vancouver; bedroom B from Montreal to Winnipeg; bedroom C from Kenora to Vancouver and bedroom D from Kenora to Vancouver. Now, there may be other pickups on legs of those journeys at points west of Winnipeg, but I do not think that is essential to the matter before us here.

And then finally, in regard to the question asked by Mr. Byrne—

The CHAIRMAN: Before you go any further, Mr. Pascoe has a supplementary question.

Mr. PASCOE: Mr. Chairman, I just want to ask Mr. Emerson about the reservations now, are they held right up to the last moment? If somebody cancels them are they available to somebody else?

Mr. EMERSON: If they are cancelled, yes, they are available to somebody else.

Mr. PASCOE: How long do you hold them—right up to the very last minute?

Mr. EMERSON: There are specific cut off dates, Mr. Pascoe.

Mr. PASCOE: I am on the waiting list, that was why I was just wondering while I was here.

Mr. EMERSON: While they put you on the waiting list, is it my understanding that you were offered alternative accommodation?

Mr. PASCOE: Yes. Alternative, but I was trying to get a bedroom.

Mr. EMERSON: In regard to the question asked by Mr. Byrne concerning the practice followed by the company in disposing of land, the bulk of the land disposed of by the railway in the decade from 1897 to 1906, went to actual settlers in the prairie provinces. There were in that period some 26,241 sales to settlers covering more than six million acres. Throughout the years of its colonization efforts, the company established a practice of encouraging actual settlers as distinct from speculators or non-resident owners. The policy adopted brought about its responsibilities as well. Following a rush of settlers in 1881 and 1882, there were successive crop failures in 1883, in 1884 and in 1885 and the company was called on to relieve the distress of the farmers. The first really good harvest in 1887 was shortly followed by a drop in the price of wheat to the lowest level then known—37 cents a bushel. The company at that time took large quantities of wheat in payment under its land contracts, crediting the farmers with 50 cents a bushel in order to encourage them to remain on the land. And the same policy of fair treatment to land purchasers has been followed ever since.

The CHAIRMAN: Thank you. Mr. Byrne?

Mr. BYRNE: Yes, Mr. Chairman. I have hardly completed my questions with respect to the land grants.

Did the company—I think that either yourself or Mr. Sinclair is an historian in this matter of railway development—consider these land grants a sort of performance bonus or were they part of the capital structure for the completion of the transcontinental line?

Mr. SINCLAIR: Well, under the terms of the contract, Mr. Chairman, the lands were paid for in the sense that they were transferred to the company upon stipulated construction periods and the contract provides that they are a grant. Now that is the grants in the legal sense and that is the most definitive, and widest and most complete type of conveyance that is known in law. It is a grant not in the sense of a gift. It is a grant in the legal sense or it is a payment in life of an obligation undertaken and performed. The contract makes that very clear.

Mr. BYRNE: Do you know anything about the development of the lateral rail lines in later years. Did the government give similar grants to small companies for building branch lines and so on?

Mr. SINCLAIR: Yes, there are a number of companies—they are well known—the Manitoba Northwest for example; Calgary and Edmonton—a large number of companies built small lines and they received grants both from provincial and municipal governments.

● (10:00 a.m.)

Mr. BYRNE: Have you any calculation at all as to the amount of land that was disposed of?

Mr. SINCLAIR: No, I have not, Mr. Byrne. It was substantial. You have to remember, as was indicated in our brief, land at that time was not valuable at all, and they were trying to encourage settlement. One of the ways they encouraged settlement was getting railways in there. Railways were in advance of the settlements. The situation in regard to land grants was also imported in to Canada from the practice that had been followed in the United States in having the lines built across the plains into the west coast of the United States. It was not anything new. The idea was imported into Canada from the United States.

Mr. BYRNE: To your knowledge then there were only half a dozen other railway companies that were given—

Mr. SINCLAIR: Oh, I would say there were more than half a dozen. Oh yes, a lot more than half a dozen. Many, many of them were and this was right across Canada. It did not apply just to western Canada, it also applied to other parts of Canada. There were many, many of them.

Mr. BYRNE: Does your knowledge of the history of events give you any information as to what happened to these lands? Did they remain with the railway companies?

Mr. SINCLAIR: In some cases, Mr. Byrne, they were disposed of. For instance, Calgary and Edmonton maintained their lands and disposed of their railways and they set up a land company which was merged into another company only in recent years. That was the C and E Land Company; it received its lands in that way. In some cases they were never earned by the predecessor company and some of them, of course, became parts of Canadian Pacific and parts of Canadian National. The independent rail lines pretty well disappeared as the two major systems developed.

Mr. BYRNE: When these smaller rail lines were either taken over by the Canadian Pacific, Canadian National or the government, as the case may be, were these land areas returned or were they a part of the transaction?

Mr. SINCLAIR: Well, they were part of the transaction in this way: for instance, some of them had actually built lines of railway and they were in this sense operating companies and the companies taking them over—whether it was Grand Trunk or Great Northern or whatever it was, or any predecessor company—they purchased the stock or took up their bonds and undertook the obligations under their bonds, and for that received whatever lands they had earned.

In other cases the lands had been disposed of to settlers or to land companies, the moneys had gone into the treasuries of these companies and been dissipated and spent in respect of building lines or running surveys, or whatever was done to develop these companies.

Mr. BYRNE: Some years ago—two years I believe, to be exact—the Canadian Pacific Railway abandoned, if I may use the term loosely, the passenger service on what is known as the Crowsnest-Kettle Valley railway line. I am particularly interested in this because it runs to the East Kootenay and, incidentally, the West Kootenay—

Mr. SINCLAIR: Yes, I know exactly where those are. I know why you put in “incidentally” in regard to the West Kootenay!

Mr. BYRNE: At that time there was, of course, great consternation; but again we heard the charge that the Canadian Pacific Railway was given large mineral, land and forest grants to provide the building of the famous Crowsnest Railway.

Mr. SINCLAIR: Yes.

Mr. BYRNE: And we heard that for that reason they should continue to give railway passenger service until perhaps the end of time or until there was some indication that there was absolutely no requirement whatsoever.

Could you tell me, Mr. Sinclair, in a few words, just what is the amount of land that was granted to the railway and what mineral grants and subsidies were provided for the construction of that line?

Mr. SINCLAIR: Yes, Mr. Byrne, this was gone into most thoroughly in the MacPherson Royal Commission on Transportation. It was dealt with in great depth there, and I refer in particular to Volume 14 of the Transcript of Proceedings. This evidence was given by an officer of the company. At page 1924 there is a little summary. Perhaps I may just run through it. The acreage is listed, and what was received by way of net gains after expenses, is stated as follows: 50,000 acres of coal bearing land were conveyed by Canadian Pacific to the Government of Canada. 254,640 acres were conveyed to the Crowsnest Pass Coal Company. That company undertook to supply coal for the locomotives of the Canadian Pacific.

Mr. BYRNE: For any length of time in particular, or for the construction period?

Mr. SINCLAIR: Well, it was at an established rate that was set out in the agreement. Of course, that has not been operative for quite number of years.

2,549,699 acres were conveyed to the Province of British Columbia at 40 cents per acre. 519,075 acres conveyed to the Province of British Columbia without consideration.

Mr. BYRNE: By whom?

Mr. SINCLAIR: By Canadian Pacific. These were lands that came to a predecessor company of Canadian Pacific under the arrangements that they had with the government of the Province of British Columbia. That railway was known as the B.C. Southern. 382,319 acres were sold to the public. The total number of acres involved and thus disposed of amounted to 3,755,733. Gross receipts were \$3,215,933, less expenses and taxes, at \$1,381,435, making a net gain of \$1,834,498.

Mr. BYRNE: Was that the profit on the construction?

Mr. SINCLAIR: No, that was the amount that was received when the land transactions were finalized. That was the net gain. The round figure was, you can call it, \$1.8 million.

In addition, the Company received \$3.4 million for the building of the line. This was approximately one-third of the cost, excluding the building of the line from Kootenay Landing to Procter. As you will recall, the line from Kootenay Landing to Procter was built many years later. It was a barge connection prior to the railway being completed. That was not built until the early 1930s. The balance of the railway was built, of course, just before 1900. Therefore, excluding that very expensive piece of track, the cost of construction was close to \$10 million. That covers the cost of construction for the initial line but it does not include the cost of equipping it; that is just the construction of the right of way. I have now covered the lands, the minerals and the tax grant.

Mr. BYRNE: Did the Canadian Pacific Railway ever undertake any coal mining in that area?

Mr. SINCLAIR: No, and we never had any interest at all at any time in the coal company. Sometimes it is asked whether Canadian Pacific ever had an interest in the Crowsnest Pass Coal Company. The answer is no, it never did have and does not have now. The only mining that was done in that area in which Canadian Pacific had an interest is the work done by Cominco, which is well known.

Mr. BYRNE: With respect to these privileges and grants that were provided by the government, did the railway make any concessions in any way?

Mr. SINCLAIR: Thank you for asking that question Mr. Byrne. They undertook one of the most onerous obligations that has ever been imposed on a railway company. What they undertook to do was to move grain to the Lakehead from shipping points then in existence. This is important. They agreed to move grain from the shipping points in existence in 1897, at rates three cents below the then existing rate and they undertook, of course, to build the railway and they undertook to complete it and equip it. All of which they did. Those rates remained in effect from that period until the rates on grain were made statutory by act of the Parliament of Canada in 1935, and then the level of rates were made applicable to all shipping points on all lines of railways to Fort William and Port Arthur and on the same basis, mile for mile, on main lines and on branch lines. Prior to that period there were higher rates for movement on branch lines than there were on main lines. Therefore an equalized mileage basis mile for mile was introduced, and in addition by virtue of the statute, the level of rates that were applied to grain eastbound to the Head of the Lakes were applied westbound for export; that is, to Vancouver and other Pacific coast ports for export.

● (10:10 a.m.)

Mr. BYRNE: Are those rates still in—

The CHAIRMAN: Well, just a moment, Mr. Sinclair and Mr. Byrne. We are coming back now to this matter of grain movement. I do not wish you to go into it. In the Crowsnest you were discussing passengers and I want to bring all members and all witnesses back to that.

Mr. BYRNE: I am quite in agreement with that. My purpose in asking the question is and was to identify this story that I and many others in politics had to contend with at the time of the abandonment of the railway.

The CHAIRMAN: Of what, Mr. Byrne?

Mr. BYRNE: Passenger service on the now famous Kettle Valley and Crowsnest line. I think it is important that we hear both sides of the story. I have not been able to get these figures straight in the past and I am glad to have them on the record.

Mr. SINCLAIR: There was no obligation, Mr. Byrne, by statute; there was no obligation by any agreement to provide passenger service. That line, like all other lines, became a part of the Canadian Pacific Railways and became subject to the jurisdiction of the Board of Transport Commissioners when it was formulated in the early 1900's. I think the first board was set up in 1903. Therefore, before passenger service could be withdrawn in the Kootenay it required the approval of the Board of Transport Commissioner and that was secured and received after hearings held in the Kootenays and elsewhere before the service was discontinued. If I may go on for one moment, Mr. Chairman, the service was discontinued and I have been in the Kootenays. I have not seen, as I said earlier, any withering on the vine of such places as Cranbrook, Castlegar, Nelson.

Mr. BYRNE: The members are withering.

Mr. SINCLAIR: The members are withering?

Mr. BYRNE: The Members of Parliament.

Mr. SINCLAIR: They are maturing.

The CHAIRMAN: Mr. Byrne, before we bring this to a close, may I say you have been going since Friday. I will give you 20 minutes today.

Mr. BYRNE: I think I had three minutes on Friday.

The CHAIRMAN: Well that is 23 minutes up to today.

Mr. BYRNE: Well I have just one final question; I wonder if Mr. Sinclair could give the committee some idea as to the dividends that have been paid by the railway company on their shares and make a comparison from the early days to the days when they were disposing of these large parcels of land up to the present time; not every year, but give us some indication of the fluctuation.

Mr. SINCLAIR: Well, Mr. Chairman, in certain periods no dividends were paid at all either on the preferred or the ordinary stocks. At the commencement early in the history of the company of course it did not pay dividends. It then commenced paying dividends and paid them without exception up until 1931, then there was the time when no dividends were paid up until the '40s and since that time dividends have been paid.

Mr. LEWIS: I did not hear the last part.

Mr. SINCLAIR: Since that time dividends have been paid.

Mr. LEWIS: What was the last year you mentioned.

Mr. SINCLAIR: I said some year in the '40s.

Since that time dividends have been paid. The earnings of the company, for example, in 1965, were less; the earnings on the net investment of the company in 1965 on rail operation were less than the interest rate on government bonds, particularly on the net investment, in 1965, it was 3.2 per cent. I have not seen the calculations taken from 1881 to 1965 and relating the payment of dividend to the investment. Of course, it has been the policy of the company to withhold money in certain amounts from the shareholders and reinvest it in the property or in other assets. There were no dividends paid on the ordinary stock from 1932 to 1943. The first payment on ordinary stock was reinstituted in 1943 after it was stopped in 1931. At that time the dividend rates were small—2 per cent on par.

Mr. BYRNE: One final question, sir. How much land does the railway still maintain under the original grant, not any new acquisition?

Mr. SINCLAIR: Well, Mr. Byrne, there are some townsite lands which have never been sold; some of them have come back on our hands; I would suggest about 600,000 acres, including what is being referred to by some people unkindly as moose pastures.

Mr. BYRNE: That is all, Mr. Chairman.

The CHAIRMAN: Mr. Cantelon.

Mr. CANTELON: Mr. Chairman, I have sat here quite quietly for some three days, and I have some questions and some comments that I would like to make. First of all, I think that all of us are inclined to agree with the C.P.R. that the Dominion is a losing proposition; certainly on the basis in which they calculate it. However, we are compelled to accept their figures unless we want to broaden this inquiry and get independent investigators in to check their figures. I can see no purpose in prosecuting that point, but it is obviously a losing proposition. However, I would like to know if the C.P.R. office would submit the figures to independent analysis if this committee does finally reach the point where it decides to do that.

Mr. SINCLAIR: Certainly.

Mr. CANTELON: I thought that would be the answer and I knew it was just a rhetoric question, actually, that I was asking.

Second, I would like to investigate this phrase "effective demand". I wonder if I am right if I interpret it like this. The effective demand is the number who use your train?

Mr. EMERSON: No, I would not agree with that, Mr. Cantelon. That is not quite the proper way to put it. I think the effective demand is the demand for a service at prices that will meet the cost of providing the service.

● (10:20 a.m.)

Mr. CANTELON: Well, I cannot see a great deal of difference. Perhaps I am not too acute in this matter, but it seems to me if that was not a too far out definition perhaps we could add to it that it is not necessarily those who wish to use the train to be an effective demand, it is those who do manage to use the

train. Although, I think that there are many who would like to use it who do not actually get an opportunity to do so for various reasons, some of which have been given to us.

Mr. EMERSON: Well, if I may comment on that in order to be effective the demand should meet the cost of providing the service. Let me carry it to the extreme by way of illustration. Suppose, for the sake of illustration, rail transportation service is provided free. Now, you might have a very large demand of all kinds of people for one reason or another who are quite willing to take the train to go here and there and back again; it would be a demand, but it would certainly not be an effective demand.

Mr. CANTELON: Well, that, of course, I think is inherent in it. I was not for a minute suggesting that the element of cost had something to do with the demand. It was the other elements of the effectiveness that were concerning me. It was the fact that, in my view, there are people who would like to get on to the train who do not get on because of factors other than cost. Perhaps I am wrong in that view, but nevertheless that is the opinion I have. I have this opinion, and I am afraid a great many other people have it, because of experiences which we have had in the past with other trains. In particular, I have had some experience with the train which used to run from Edmonton to Winnipeg on what I think you call your secondary main line on the prairies. Since I lived on that line for a great many years, and still do, I have had some experience with that train.

While a number of others have given their personal opinions about this thing, I hope on this occasion that you will bear with me for a minute while I give mine with respect to this train, because I am afraid it is on these personal experiences that the judgment of the public is based and that they have come to the conclusion that this so-called effective demand has been curtailed, if I could put it that way, by the actions of the railway company. I will just give one experience, but I could cite many others.

One morning my wife and I wanted to take this train and we wanted to take the parlour car seat. At that time there was a parlour car on it. Later they took it off. We asked the agent to get us a parlour car seat, and when we got there there were none available—he just neglected it. He was a good friend of mine so I did not quarrel with him. We got on the train and we went into the parlour car and we were told by the porter that I could not sit in that coach. There were three people in the coach. I said, "Why not?" He said he had orders that nobody was to get into that coach. I said, "I am sorry, I am here and unless you want to throw me out I am not going to get out." So we sat there and at Saskatoon I went in to buy seats and the porter followed me in and told the agent that I could not buy seats on that car. I had been told that at Regina. Unfortunately he could not contact anybody at Regina, but he was a sensible enough man to realize that a car running empty like that was ridiculous, so he sold me the seats. No one else got on that coach from there to Yorkton. I do not know how many might have got on it if that policy had not been in effect. It could be that the porter was wrong and that it was just a misinterpretation on his part. But there was a second episode on that same train that same day. There was a buffet car on the train. We went in to have lunch. When we went to have lunch they had nothing but sandwiches and only cheese sandwiches. This was the lunch that we had. We went in to get dinner, or supper, I guess by that

time, and by that time they had run out of everything but bread and bananas. Where the bananas came from, I do not know. So we had bread and bananas for supper.

Again I say this perhaps was just one occasion, because I think this was the first time they had run that buffet car and I guess they did not expect there would be the demand there was. This was rather shocking to me and I am sure it is to you, because I am sure you have not heard a story like that before. The service was inefficient and it was certainly inclined to make us feel that we did not want to travel on that train again.

One other feature of that train is that it used to take some 13 hours to get from where I lived to Yorkton where my wife's people lived and where we often went. I can drive that quite comfortably in seven hours. So, it is no wonder that this train could not get traffic. I tell this although I realize that to many people this is boring, but this is the type of experience which led people to believe that the railway is not really trying to meet the passenger demand. That is the first thing that I would like to deal with.

The second point that I would like to consider is this matter of reservation, and in particular I would like to relate this to the type of train that is operating today. Maybe I am going to get a way out into left field here, and you may think I am a visionary and a little absurd. However, it does seem to me that the railways have not been keeping up with the changes in transportation in respect of the type of trains they are putting into business. I said something like this to Mr. Gordon one time when I was first on the Transport Committee some three years ago, and he just said that you cannot run a train at the speed that I was suggesting it was to be run at. I now notice that the C.N.R. is putting a fast service between Montreal and Toronto which is running at the speed which I suggested at that time. So I was not quite as absurd as I sounded, and I hope I will not be quite so absurd today as I may sound.

● (10:30 a.m.)

In the first place, I do not see how you are ever going to make a type of train that you operate today, operate profitably, because of the fact that it is a tremendously expensive proposition to operate. It does seem to me that it could be done if you had a more flexible type of train; that is, a train that did not weigh as much as it does, if it were more like the particular coaches that you were mentioning to us, Mr. Sinclair, and which probably had a more flexible scheduling, so that it could meet the demand rather than just running without any attention to how much traffic there was at that particular time. If this were done, I think it would be possible for you to computerize your reservation system. One of the very big disadvantages that exist today with respect to you getting passengers would thus be eliminated.

Here again I am going to use a personal illustration of what I mean in this respect. A year ago I went home on the train because I like to travel on the train, and I think many people do. It is a relaxing experience and very comfortable. And so, my wife and I went home; we were able to get a reservation home, but could not get reservations confirmed to come back. However, they assured us we would have them. I wanted to come back on April 18; I could not get a reservation for April 18—this, of course, was the C.N.R.—I could not get a reservation for April 18, 19, 20 or 21. So I gave up in disgust and I telephoned Saskatoon and I got a reservation on the plane for the next

morning, just like that. This is by long distance, confirmed, and everything. You can see—and I think this same sort of thing probably happens in your case too, just as well as it does to the C.N.R.,—why a lot of people are being forced, and I think that is the right word, being forced on the airlines and from the trains. Now, I realize it is very, very, difficult to run a reservation system on the type of train that you operate where you have so many different types of accommodation and where you have it going so many places. I am told you are running it empty for one section, one division or two, and the next division is filled, and so on. Why cannot a more flexible type of train be put into operation? You are going to run into difficulty in the long run with the Canadian, I am sure, why cannot you start to experiment today with the Dominion, which you have taken off, so that when the time comes that you have to get rid of the Canadian—which I am sure if it continues the way it is you will have to do, because the same disadvantages are going to exist with the Canadian as they are with the Dominion—why cannot you experiment with this more flexible type of train with perhaps one or two types of accommodation on it, a computerized type of reservation system which will meet the demands of the public? And, incidentally, a train that could travel a lot faster. Although here again I am not a railroader, but I can realize when you try to run a train 100 miles an hour on a track which has most of the rest of the traffic running at 60 miles per hour, you run into a lot of difficulties there. I would just like to know whether you have any opinions on these things that I have been talking about.

Mr. EMERSON: Well, Mr. Chairman, I will try to cover the points that were raised by Mr. Cantelon. In the first place, I take it that the experiences he cited in travelling to Yorkton on our train on the secondary main line which runs up to Saskatoon and Edmonton must have taken place quite a number of years ago.

Mr. CANTELON: It was since World War II. This has been off business, as you know, for some years.

Mr. EMERSON: That is exactly the point I had in mind. I, of course, cannot speak for and have no knowledge of the incidents he refers to and the difficulty of getting accommodation on the parlour car, or the meals in the buffet car. I can say this, however, that it has not been and is not the policy of the company to render that kind of service. Our belief is, and our policy is, to render the best kind of service we can, consistent with the requirement, and there certainly, not now and never has been, any attempt or wish to deliberately discourage passenger traffic by rendering inferior service, or anything like that. Now, you may get particular porters, but they are human, after all, too. They get out of sorts some morning, and this sort of thing, and worried about something else, this can happen and we are all subject to that sort of thing.

The next point, sir, I think, was the question about the time it took to run this train and the slow speed. As you well know, of course, this train provided local service as well as through service. In other words, it stopped at the intermediate points along the way to pick up and discharge traffic, both passengers and express and mail.

Mr. CANTELON: If I might just interject here, Mr. Emerson, I quite agree with you that was the main reason why it was so slow. But if we are going to serve passengers, I think that it is necessary to get rid of this local business being done by a passenger train. I think now you do it by putting it on fast freight, do you not?

Mr. EMERSON: In so far as express and mail are concerned, that is true. But perhaps an example of that to a large measure is the Canadian which, after all, stops at not too many of the intermediate points. It stops principally at the terminals and some of the larger centers en route, but certainly it does not stop at every station such as trains 51 and 52 used to do. In any event, however, even with that, with modern highways, and particularly in many areas the problems of meeting the time for an elapsed journey that is possible with the modern automobile and the modern highway is a very difficult one. You can travel today from Calgary to Vancouver, if you like, in less time than you can go on the train. The highway is more direct; it is less circuitous and you can under normal conditions make that in less time. You could make it in less time over many parts of our route.

I recognize what you had to say, sir, about higher speed, but there are limitations in particular areas as to the speed which can be safely and consistently made. I think you have to have most things in order to render satisfactory service. You can set up a schedule which perhaps you can make one day if everything goes right, but on the following day there is some little delay, or there is some untoward event that upsets the thing and you cannot make it and you have no chance of recovering the time. The result is that you would have all the passengers at all the points down the road waiting for a delayed train. We have to have a schedule which is realistic both in terms of speed and in terms of consistency.

You mentioned also that the present equipment, I think, is expensive to operate, and you suggested a newer form of equipment which would permit more flexible scheduling, amongst other things. Expense is relative, I suppose. Certainly, our present equipment is the best that we could get at the time we bought it and it is the best type in service today. I think you also have to bear in mind that in this country of ours which is subject to great extremes of weather conditions, both summer and winter, passenger comfort requires an adequate system of heating in the one season and air conditioning in the other. Now that makes the equipment heavy to some extent. Additionally, you have to carry along all of the pertinent features for personal comfort such as water supply, and so forth and so on. Certainly, experiments were made in the immediate postwar years in the construction of lighter, what you might call more flexible trains, for operation on this continent. There was the Talbo train for one, there was the General Motors train of tomorrow for another; all of these things were tried in higher density areas than in Canada, and all of them were unsuccessful. I know of none of them operating on this continent at the present time. So the field has not been completely overlooked.

● (10:40 a.m.)

As to the question of flexible scheduling, if I understand correctly what you were suggesting, sir, was that by keeping a close eye on reservations the train might be run today and decide not to run tomorrow or next week, or something like that, if advance reservations were not sufficient, I do not know. But here, amongst other things, of course, it would be most unusual if you would not get some reservations for some part of the journey on every day. After all, once you accept the reservation in effect you have committed yourself to provide the operation.

Mr. CANTELON: I am afraid I did not make that very clear, and you have a misapprehension of what I meant. What I meant was more a train that can be enlarged or expanded, or enlarged or contracted more flexibly than the ones you have today.

Mr. EMERSON: Our present consist, our present equipment on the Canadian, for example, the stainless steel equipment, can certainly be added to and taken away from within limits, of course. It is completely flexible in that respect. Having regard, however, for the fact that to cut cars in and out of the plane does take time. You also have to balance your traffic in both directions. That is to say you cannot cut off a car in the westbound journey at Winnipeg if it is required on the following eastbound journey out of Calgary, just to pick a case in point. It is not a simple matter. In regard to reservations, and the question of computerizing reservations, we have not overlooked this; we have thought about it; we have very much in mind the experience of one of the railroads in the United States that tried this and was unsuccessful and went back to the present system which is the one we have used over a long period of years.

Here in contrast with the airlines we are at a disability in that we serve on any one route many more points usually, and also that there is offered a greater variety of accommodation, and this is perhaps necessary in light of the fact that the journeys are of such varied duration.

You get on an airplane and you can get to wherever you are going, virtually, within 12 hours or so, probably much less; that is, you can certainly get to wherever you are going in Canada in less than 12 hours. But on a train it might take three days, or it may take an hour. The type of accommodation which people want is related to a considerable extent to the length of time of the anticipated journey, not necessarily the distance. Also, of course, the airlines, in a very rapidly growing market, and reference has already been made to the large number of seats being added by Air Canada, are on the up side of the cycle and I have no reason to suggest that it will not continue indefinitely. They are faced with quite a different situation from the railways where the over-all passenger market is declining and the installation of a computerized reservation system is an expensive costly step at best.

I think, sir, I have covered all of the points which I can recall, but if there is anything I have overlooked I would be glad if you would remind me.

Mr. McINTOSH: Mr. Chairman, I have a list of questions here but I believe that most of them can be answered with answers of yes or no. With all due respect to you, Mr. Emerson, I would like to direct my questions to Mr. Sinclair because it rises out of what he said on the first day of the hearing. My first question is, the C.P.R. has submitted a statement of their holdings to the Security Exchange Commission in Washington. Can the same list be made available to this committee?

Mr. SINCLAIR: If the Chairman so directs.

Mr. McINTOSH: Mr. Chairman, will you so direct? Thank you.

My second question, Mr. Chairman, is, was the main argument in the C.P.R.'s application to the Board of Transport Commissioners based on what is known to you and what you have been trying to explain to us, this term "effective demand."

Mr. SINCLAIR: Yes, sir. It was not expressed in that term but some of the results of our evidence in the approach we made was the same. It was the question of balancing the public requirement against the cost, in economic terms.

Mr. McINTOSH: Is it correct to say then that effective demand is an economic term used by specialists such as yourself in the field of transportation? Could this effective demand be ascertained on the computer that you spoke about, by feeding the correct information through the computer?

Mr. SINCLAIR: No, sir.

Mr. McINTOSH: Is it correct to say that some of the factors used in effective demand are as you said wastage of manpower, formulation to our Gross National Product, and so on. I am referring back to the statement that you made in regard to some railway company that lost \$60 million a year, and you projected that for a ten year period and you predicted a loss of \$600 million for the Dominion of Canada, and so on.

Mr. SINCLAIR: Yes. I was talking there about misallocation of resources that are scarce, which are men and money.

Mr. McINTOSH: Is it correct to say that effective demand is an economic term used by professionals?

Mr. SINCLAIR: Is an economic term used by professionals?

Mr. McINTOSH: In the transportation field.

Mr. SINCLAIR: I think it is an economic term used by professionals in all fields in which we are meeting a want and distinguishing want from need and desire. In other words, that you require an outlay; to stimulate the satisfaction of the want you have to allow the person to hope to get the seed back more and no more.

Mr. McINTOSH: Mr. Sinclair, what I am trying to determine is the origin of the term.

Mr. SINCLAIR: It is as old as the economics, sharpened by the thinking of modern folk.

Mr. McINTOSH: Well, was it in existence as far as you know before you got into this field.

Mr. SINCLAIR: Before I was born, yes. Longer than living memory.

Mr. McINTOSH: On that question, Mr. Sinclair, would you agree it is subsidizing a run not in the best interests of the nation to offset the drop in what you call economic demand? In other words, subsidizing from the federal treasury is not the answer in the situation in regard to the discontinuance of the Canadian?

Mr. SINCLAIR: In regard to the Dominion itself, my answer would be I agree with you. However, I think you must not generalize beyond the statistics because there could be instances where the national interest would require a specific service and that has been recognized as an area for admittance.

Mr. McINTOSH: I am coming to that in a moment, sir.

Mr. SINCLAIR: But in so far as the Dominion is concerned I agree with you, because of alternative service available.

Mr. McINTOSH: Now, I say this and I also believe that on a number of occasions you have foreseen or knew the conditions under which the Board of

Transport Commissioners would accept an application to discontinue one particular service, and you, as officials, have done everything within your power to bring about those conditions, to see that they exist before you make your application. Would you deny that statement?

Mr. SINCLAIR: I certainly would.

Mr. McINTOSH: The Board of Transport Commissioners would accept an application to discontinue one particular service and, you, as officials, have done everything within your power to bring about those conditions and see that they exist before you make your application: would you deny such a thing?

Mr. SINCLAIR: I certainly would.

Mr. McINTOSH: Would you agree with the statement—

Mr. SINCLAIR: The latter part of it, but the first part, I think we do recognize the criteria before it is established, but that we tailor our service to make it pay, the answer is I absolutely deny it.

Mr. McINTOSH: Would you agree to the statement that the four Western provinces in Canada are the ones that are more adversely affected by the discontinuance of the Dominion?

Mr. SINCLAIR: I do not think any province is adversely affected whether it be East, West, or centre by the discontinuance of the Dominion.

Mr. McINTOSH: Do you think that the effect is felt all over Canada?

Mr. SINCLAIR: I said, I don't think there is any adverse effect.

Mr. McINTOSH: Now, if the law of effective demand, or the term "effective demand" was applied to the Provinces where this service is discontinued, have you any remarks to make in regard to the economy of that part of the area?

Mr. SINCLAIR: I only know this, Mr. McIntosh. As far as we have checked and been able to ascertain we have seen no adverse economic or social effects from the removal of the train, even though there is no rail passenger service in the area. The only person that I have seen who has made an investigation since the Dominion came off was a group in Alberta and they have announced, according to the Press that I saw on the weekend—and I have to refer to a newspaper as it is my only source—the Committee of the Calgary Chamber of Commerce—"The Committee found no evidence that the Dominion's withdrawal adversely affected business with Calgary". Mr. MacDonald added: "Nobody is really deprived of transportation because of the Dominion". I have seen no other report; there may have been others, but I have not seen it.

Mr. McINTOSH: In regards to the legal aspect of the agreement that exists between the C.P.R. and the people of Canada, would you admit that it is an obligation on the part of the Company to provide the public with any rail passenger service, I say 'any' rail passenger service?

Mr. SINCLAIR: Yes, Mr. McIntosh, the law provides that we will provide adequate and suitable accommodation in the light of all proper interests, and again those are in quotes "proper interests".

Mr. McINTOSH: In other words, there is no conflict of interpretation?

Mr. SINCLAIR: None whatever.

Mr. McINTOSH: In this regard.

Mr. SINCLAIR: None whatever.

● (10:50 a.m.)

Mr. McINTOSH: Would you agree, that in the event the effective demand in regard to the services of the Canadian shows no improvement during the next year that your Company could legally ask and expect to have granted an application to continue this passenger service?

Mr. SINCLAIR: I think you would then be faced with this problem as I expressed I think it was on Thursday or Friday; a new problem arises then and that is what does the national interest require?

Mr. McINTOSH: Yes, I am coming to that also.

Mr. SINCLAIR: I think that that was also made clear in the judgment of the Board, in the remarks of the Chief Commissioner in the Dominion hearing.

Mr. McINTOSH: Could I ask you this to your knowledge was the Department of National Defence conferred with in regard to your application to discontinue the Dominion?

Mr. SINCLAIR: In regard to the Dominion, no sir. I would like you to know this. Some years ago when we were thinking of destroying certain passenger equipment that we had we approached the Department of National Defence and asked whether they wanted to have it mothballed and kept in cases of emergency. They went into the matter and said "No". You have to realize Mr. McIntosh that the way to move troops has changed quite a bit since the Second World War; for example, aircraft are coming along, I suppose you have heard, to seat by day and to move 750 fully-equipped troops intercontinentally. You can see what that could do on a shuttle service from one end of the country to the other.

Mr. McINTOSH: I was thinking, Mr. Sinclair, in that regard, of areas where there is not a landing field suitable to take that type of aircraft, or where the landing field has been previously destroyed.

Mr. SINCLAIR: They could use other means. I would like to refer you to a letter from the Minister of National Defence signed by The Honourable Mr. Pearkes, of September 14, 1960. Maybe I might read just a small paragraph here: "I have been advised by the services that because of the widely varied conditions which might exist in an emergency, it is doubtful that planning could be carried out on a firm basis for all contingencies." "It would appear to be more practical to adjust from time to time plans to meet our foreseeable requirements in the light of the transportation available rather than to enter into any scheme for the maintenance of railway cars which have been withdrawn from service."

Mr. McINTOSH: I was going to ask you a similar question in regard to the plans of the Emergency Measures Organization but I presume that your question covers both, National Defence and E.M.O.

Mr. SINCLAIR: Yes, sir, we are connected with that, of course.

Mr. McINTOSH: My next question, Mr. Sinclair: Has the rail passenger service of your Company ever shown a profit and, if so, during what period?

Mr. SINCLAIR: I think that the rail passenger service indicated that up until the end of the 20s it was meeting its variable cost plus. Of course, there were some periods during the war of very high utilization and non-availability of cars, tires, fuel and so on. But in those periods yes.

Mr. McINTOSH: Has the effective demand in regard to the complete rail service, including freight requirements, increased or decreased during the past ten years?

Mr. SINCLAIR: The effective demand by definition and by thought cannot apply in a group. Has the effective demand for rail freight service—let us take automobiles?

Mr. McINTOSH: I would rather deal with rail?

Mr. SINCLAIR: Movement of automobiles by rail. It had disappeared practically, then we introduced the rack cars, and this enabled the effective demand to be implemented and this tractor is now back on the rails in large measure.

Mr. McINTOSH: Could the same reasoning be applied to the passenger service?

Mr. SINCLAIR: I would say no, sir, because I think what many people overlook, and we tried to lay this before you factually in our original submission; it was around 1954, we gave it that kind of treatment. We went out and bought very modern equipment, we marketed it very aggressively and we spent \$60 million on equipment and we did then and failed in what some people are trying now some ten years later.

Mr. McINTOSH: I wonder, Mr. Sinclair, if the Committee could be provided with a number of graphs and the first one I have in mind is one showing the trend in regard to the combined rail service and freight service, say for the past 30 or 40 years?

Mr. SINCLAIR: What do you mean? By way of gross ton miles?

Mr. McINTOSH: No, by way of profit and loss.

Mr. SINCLAIR: No, I couldn't do that.

Mr. McINTOSH: I think that is what we are coming down to here.

Mr. SINCLAIR: How could I graph that?

Mr. McINTOSH: I am not an economist, and I don't know. I just wanted to know whether you can do that or whether you can't.

Mr. SINCLAIR: I can always make certain assumptions, and graphs from those assumptions. What are you asking me? What is the net return related to investment in rail on Canadian Pacific overall, taking a base year of say, 1949 to 1965? Certainly I can graph that.

Mr. McINTOSH: What I am trying to arrive at is, in your complete transportation system whether you have been increasing your profit over the period or if it has been remaining the same, and what effect will the taking the passenger service off have on those profits or even taking both—

Mr. SINCLAIR: Let me give you some figures—

Mr. McINTOSH: Let me finish—both the freights and the passengers away from the whole complex of the C.P.R.?

Mr. SINCLAIR: Let me give you some figures. I will use the base of—

Mr. McINTOSH: No, I am not concerned with the figures at the present time because we get confused if we have too many figures. I was just wondering if we could see the trend—

Mr. SINCLAIR: Trend?

Mr. McINTOSH: By a graph.

Mr. SINCLAIR: I can graph net railway earnings, sure.

Mr. McINTOSH: Thank you.

Mr. SINCLAIR: From a base of what year?

Mr. McINTOSH: I said the last 40 years?

Mr. SINCLAIR: Forty?

Mr. McINTOSH: If that is too big a task, what I want to see is whether it is up or down. As I said when I passed my remarks the other day, I am a free enterpriser. I understand if it is not financially sound, and as a free enterpriser I will certainly give it up. I am not quarrelling with you, if you want to give it up.

Mr. SINCLAIR: Would 20 years be right? I think I can just see a 20 year graph. Would 20 years be enough?

Mr. McINTOSH: Or if you just want to make it 40 years, and make it for four different periods, about 10 years each.

Mr. SINCLAIR: All right, I will prepare a graph.

The CHAIRMAN: Let me get this straight, Mr. McIntosh. This graph would show a profit—

Mr. SINCLAIR: Net earnings, rail.

The CHAIRMAN: To be divided—

Mr. SINCLAIR: Twenty years, freight and passengers.

Mr. McINTOSH: I am coming to both. I would like to know if this can be done for the passenger service separately and for the freight service separately and the combination of the two.

Mr. SINCLAIR: I have not got records like that, Mr. McIntosh, but I can give you net railway earnings for a period of 20 years or a period of 40 years. I have available all the accounts of the Company but when I come down to trying to break it out between freight and passenger, I couldn't do it, no.

Mr. McINTOSH: If you can't do it we can't expect it, but you have an idea of what I am trying to get at and I don't want too many figures to confuse us. It is just the trend that I am after.

Mr. SINCLAIR: I will try to develop something that will be helpful.

Mr. McINTOSH: Will the discontinuance of the Dominion result in an increase or decrease, in your opinion, in the passenger fares on the Canadian?

Mr. SINCLAIR: Firstly, let me put it this way. The level of the passenger fares *per se* will be affected. We expect that the carriage of the The Canadian will improve by not dissipating the available market over two trains. So therefore on a long term, you are running two trains at a 50 per cent capacity, and one train, and let us say you have an erosion factor of shrinking markets, you should be able to prevent fares going up quickly on the Canadian as they otherwise would go up.

Mr. McINTOSH: You are not saying whether they are going up or whether they will not go up? You are not committing yourself in this regard?

Mr. SINCLAIR: Mr. McIntosh, I would be naive if, I didn't think, in the light of the existing economy, that costs were not going to increase. Cost of material and cost of wages are going to increase and I am certain that the productivity factor cannot offset these increases in rail passenger services.

Mr. McINTOSH: I am going to get regional and provincial, like some of the other members with their questions and I am going to say to you that, as one example, Swift Current to Calgary, prior to I think, Christmas of last year, the return fare was \$16, and during Christmas it was \$32.40 and now it is \$30., almost double and this has been since the rumours that The Dominion was coming off.

● (11:00 a.m.)

Mr. SINCLAIR: It had nothing to do with it, Mr. McIntosh. The situation was this, the Board of Transport Commissioners established what rate was just and reasonable for passenger service on a base figure of five cents per mile. Five cents per mile is a low rate for transportation. As I explained following our experiment that was instituted in the fall of 1963, the rates were reduced to a very, very low level. You only have to think of the rate. It was working out at something under two and a half cents a mile. You can't move anything or too many people for two and a half cents a mile. That is a ridiculously low rate and we found that it was impossible to do it. The cost of handling that extra business resulted in an increase in the deficit. In other words, you weren't even getting your seats back from the extra. Therefore, adjustments were made in the fare structure, all of them of course, still below the five cents per mile that the Board of Transport Commissioners considered to be a just and reasonable level for rail passenger service.

Mr. McINTOSH: It may not be any business of mine, Mr. Sinclair, but why was that increased if it was not necessary. You said two cents is a ridiculously low price.

Mr. SINCLAIR: Two and a half.

Mr. McINTOSH: Two and a half. I am not in a position to say whether it is or whether it isn't but if there was a need for an increase why was it not spread over the whole line, rather than between non-competitive points. If there was a need for an increase on this one particular leg or fragmentation as you wish to call it, from 60 to almost 100 per cent, why was it left to the last month of 1965 to make that immediate jump. There was no jump in the fare as I understand it from Calgary to Vancouver.

Mr. SINCLAIR: The answer to that is it is not just applied at non-competitive points. Let me give you an example. One of the most competitive rail passenger points that I know of is between Toronto and London, Ontario, and our rate there is five cents a mile. Another place, Montreal-Sherbrooke, they are examples in the East and in the west, and when you say why does this jump so much, all we did was put it back to the level that the Board had held to be just and reasonable. When we cut the fares we cut them just as drastically. It is a funny thing, Mr. McIntosh, and I suppose it is quite normal, that people remember fares that go up and they forget fares that have gone down. We have not yet established in our minds what is the level that will be the most effective. A lot of it has to be incurred.

The CHAIRMAN: Mr. McIntosh, are you finished because we want to take this break at 11 and I want to wind these questions up.

Mr. McINTOSH: I am not too far from being finished. Most of these questions I think could be answered yes or no, but Mr. Sinclair wanted to go through with it.

Mr. SINCLAIR: I am only trying to be helpful.

The CHAIRMAN: You have been 25 minutes on your questions. Would you like to come back to it, or do you want to finish off?

Mr. MCINTOSH: I will wait. I may have five or ten minutes more, that is all.

The CHAIRMAN: We will break until 11.15.

The CHAIRMAN: Gentlemen, we will conclude the questioning by Mr. McIntosh, and I would advise Mr. McIntosh that he has five or ten minutes left.

● (11:20 a.m.)

Mr. MCINTOSH: I shall finish up until some other time. I shall get to the point of why I asked most of these questions I did this morning. It is because I believe there is a terrific confusion between the Committee interpretation of the term "effective demand" and what the professionals in the transportation business relate to that term "effective demand". I would also point out, Mr. Chairman, that there is possibly confusion in two other phrases that were mentioned, I think, by Mr. Horner. That is in regard to paragraphs 34 and 35 of the summary of the brief. In one you say "In the best interests of the people". I don't think the Committee will agree with the interpretation put on that term by the officials of that firm, nor, in paragraph 35, "To do so is a disservice to the public". Maybe I should leave the questioning on that later. Now, I think Mr. Sinclair said this morning that the term "effective demand" as far as he is concerned is an economic term of long standing. The terms of reference which we have before us, which I do not like, it includes the words "effective demand". I looked up in the dictionary also the meaning of "effective demand", the two words—and "effective" means actual or existing, and demand means need. I think this is the way the general public looks upon this term "effective demand". I refer you to the second page of your long brief, and that one paragraph—

Mr. SINCLAIR: Actual or existing in which there is a need is not in conflict with what I said.

Mr. MCINTOSH: To me, when I substitute the term as I understand it to one paragraph on page 2 of your long term, a reading of it I do not think, conveys what you are trying to put across to this Committee. I think Mr. Olson, the other day, said there are thirty-one occasions in this brief where the term "effective demand" is used, and I think before we go any further we should have a clear understanding of what we mean by this term "effective demand". I think we know what you mean, but I am not quite sure that we know, or the public knows, what we mean.

Mr. SINCLAIR: But, Mr. McIntosh, you see—

Mr. MCINTOSH: I only have five minutes, Mr. Sinclair, but I want to get this point across.

Mr. SINCLAIR: But I do, I do, I don't wish to have anyone feel that we are in conflict with your dictionary definition, but you have to couple these two words together, and where you say "need", need without an outlay is not part of effective demand. Need in that sense does not mean need or desire, as I have said, and I have quoted Hanson on this. He made that very clear. Therefore, you

have to have an outlay, and it is my fault that I am not making this clear, and the very fact that you came back to paragraphs 34 and 35 is again my fault for not making it clear, because the concepts go right through, right from the terms of reference right through.

Mr. McINTOSH: Could I make my point before the Chairman cuts me off? You can take as long as you want for the answers.

Mr. SINCLAIR: Why am I different from you?

Mr. McINTOSH: Why, I don't know. I mean, I seem to be restricted but anyway, Mr. Chairman, I think, put your point across very clearly the other day as to what he understood by your explanation and being a free enterprise, the effect on the country. However, to get back to what you were referring to, I would like just to read this one paragraph in the couple of minutes I have left and substitute words "actual need" for effective demand, and you tell me if it means the same thing.

Mr. SINCLAIR: What paragraph?

Mr. McINTOSH: That is the paragraph that says effective demand on rail passenger service, on page 2 of the long brief. I shall read it to you, and I shall substitute the words. It says:— and I think it is used nine times in this one paragraph:—"The key words in the terms of reference are "actual need for passenger service". Actual need is the criterion upon which the present program and future plans of the Company for rail passenger service must be assessed. Actual need is the demand for a service at prices which meet the cost of providing that service. Services or goods that cannot be sold for what it costs to produce them do not possess an actual need, and their production is an economic waste. Throughout its history, the policy of the Company has been to meet fully the actual need for passenger service and it intends to do so in the future. The Company has never ceased to provide service where there is an actual need. In fact, there have been many occasions, as is well known, when the Company has continued a service when there was no longer an actual need for it. The Company has always been reluctant to discontinue a service, and has never done so until after its studies established that the actual need had gone and could not be recovered."

Now, would you agree with me that we can substitute the words "actual need" for the term "effective demand"? And this, I think, is what the Committee is set up for, to see if we can convince the people that there is no longer an actual need for this train service in the terms that they understand it, not as you understand it.

Mr. SINCLAIR: Well, Mr. McIntosh, the application of the word "actual" to need, and adopting that in the way you have, I think that you have merely come to the same rationale, if you want to put it that way, but I can't quarrel with you when you use actual need. The key in what you are saying is the way you use the word "actual", and you use the word "actual" on the same basis as the demand curve would be done in economics. Therefore with that kind of definition that you have put on the word "actual", you have said the same thing, as far as I can follow.

The CHAIRMAN: I have next on my list Mr. Olson. However, Mr. Southam had to leave a moment ago, Mr. Olson. He had been on the list for two days, and I wonder if he is the last one of the members that has not spoken at all, and whether he could ask some questions before that, Mr. Southam.

Mr. SOUTHAM: Thank you, Mr. Chairman. Most of the questions, I am glad to say, have been covered and discussed by members of the Committee and the witnesses. However, there are still several questions and comments I would like to put. I come from central Canada, like my friends, Mr. Pascoe, from Moose Jaw, and Mr. Ormiston and Mr. McIntosh and several of the other members who have spoken previously. Some from the southern part of Saskatchewan. I find there is a great deal of criticism still directed towards the C.P.R. and its policies for the removal of the Dominion. I think the point was brought out by Mr. Pascoe, when he mentioned that either the scheduling of the Canadian, that is, leaves a great deal of inconvenience, makes it very inconvenient for a lot of people in the southern part of the ridings I would say, not only of Saskatchewan but also of Alberta, to avail themselves of this service. I was quite interested in the suggestion made by Mr. Pascoe that there should be possibly some type of a rail liner service set up, especially in the summertime at least, when there is a higher percentage or saturation of travel in order to direct passengers into key centres like Winnipeg, Regina, or Calgary, in order to make it convenient for them to find accommodation on the Canadian providing this is the train that we assume is going to take over and provide the services required for the people that want to travel by train.

● (11:30 a.m.)

I would like to question the witnesses on the economics of the effective demand or, to what Mr. Sinclair referred to at some length on Friday as regressive analysis. Is this a new type of cost accounting that has come into being or is being used by the Committee since the report of the MacPherson Royal Commission. My question is this: During the sittings of the MacPherson Royal Commission, in the testimony that was given there was a great deal of controversy as to the cost accounting methods. In other words, I am thinking now of the cost accounting system and the experts and you people had, as contrary to what the MacPherson Royal Commission had. If you recall, there were, I believe, experts brought in from the United States to give their version or analysis of the cost accounting of your railroad. If I recall, in one instance there was some \$17,000,000 involved where your figures were \$17,000,000 and an independent group brought it down to about \$2,500,000 or \$3,000,00 and then I think there was a compromise figure agreed to on it. Now, is this new regressive analysis cost accounting system something new which has come into being since, and the variables that you were talking about? Is this new?

Mr. SINCLAIR: Well, the first major application of regression analysis in the public hearing was in the MacPherson Report. I would like to point out, sir, that none of the experts that came forward, no matter who they were appearing for, disagreed with the application of regressive analysis in appropriate joint cost problems. The dispute arose over the choice of the independent variable, and as it was pointed out, you have to have very sophisticated, if I may put it that way, you have to have very long experience to know which independent variable to put in, because there is what is loosely termed as the "K factor", and the K factor is really a knowledge factor an experience factor in choosing the independent variables to go into the equation. That means that you can get fits, statistical fits, that are approximately the same as another statistical fit but has in it independent variables that your knowledge shows are completely wrong.

For instance—it is the old saw, though, and maybe it points it up and we used it at that time, and that was that you can statistically show a correlation between the number of stork nests and births in Sweden, but your knowledge shows you that that is the wrong independent variable.

Mr. SOUTHAM: You will agree with me, Mr. Chairman, that during the MacPherson Royal Commission, there was a wide disagreement among the so-called economic experts. I am just asking you, have they been reconciled yet?

Mr. SINCLAIR: No, I would not say that. I think that what you are referring to basically is this. This is a factor. In regard to the \$2,500,000, as you put it, as against the \$17 million, and I shall try not to transgress in using that bad word, Mr. Chairman. What major factor there was the transfer of what may be called solely related to one type of traffic branch line, from a cost analysis of the moving of a specific commodity to a—carving that portion of it out and dealing with it in another way. I have done it without mentioning the word.

The CHAIRMAN: Maybe that would be better.

Mr. SOUTHAM: I point this out, Mr. Chairman, because I say this question is still abroad in the minds of a number of people. There is a difference of opinion in this regard.

Mr. SINCLAIR: I can say this, sir. There is no question about this, you can have differences of opinion in regard to statistical matters. But where you have equations that have as many as five variables in them, you are bound to have some controversy. But, the advantages of this type of analysis are so great over what was available before, that even with those disabilities, you have got a better result.

Mr. SOUTHAM: I bring this question to the attention of the Committee because I think if the people are satisfied that we have the best cost accounting system available to provide the statistic that you have and then the deductions that you make from that, I think this in itself would help to allay a certain amount of the fear that people have that possibly your cost accounting is naturally in your interest, and they think, they assume this. This is why I brought it up, and I think it was touched upon by Mr. Bell in his opening remarks.

Mr. SINCLAIR: The whole purpose of it was to develop a cost estimate that could be used with greater confidence than the arbitrary methods that had hitherto been used. And this was the whole purpose of it. It's not an easy thing to do. It requires an awful lot of work, and it requires a computer, and it requires a lot of time. But there is no dispute in the transportation industry that I know of that indicates that the application of regression analysis in joint cost problems is not a major step forward. You recognize, of course, that this is also applied to other industries. For instance, to the petroleum industry. They have adopted it in some of their analyses. It is also applied in certain parts of other types of operations, airlines, for instance; in the packing industry. This is a development and, of course, it is growing, with the growing use of computers.

Mr. SOUTHAM: Mr. Chairman, another figure which has been bandied about recently as far as cost of transportation is concerned refers to comparisons between rail line and air transportation. I would like information on whether this particular rule of thumb figure is generally correct or not. Mr. Sinclair, it

has been stated that it is becoming evident that people can be transported, in other words, by air, twice the number for half the cost, compared with rail transportation. Is this a fact, an actuality? Because if it is, it would lead me to believe that this would be an incentive, naturally, on the part of all transportation companies moving people by rail, to try to get them into the air as fast as possible. Now, I am thinking about quotations, that were given to this Committee, and these are facts. For instance, it takes seven or eight trains to move a group of people across Canada to stay even with your Canadian or your Dominion; whereas some of these new supersonic, or some of these jets can move one hundred and fifty people across in the space of two or three hours.

Mr. SINCLAIR: I would say this, sir. Supersonics, none of which are flying yet, commercially, are more expensive, but I think the subsonic can move people cheaper over any reasonable stage length than can a railway. For example, transcontinental fare structure now applied without the stretch version is around four cents a passenger mile. And with your addenda, for berths and things like this, a transcontinental journey by rail, even at the fares that are now in existence, would be greater than that.

Mr. SOUTHAM: Well, this figure that I quoted, this rough rule of thumb that twice as many people could be moved at half the cost would be exaggerating it a little bit is yet—

Mr. SINCLAIR: I would not want to give a ratio—What are you talking about? from Montreal or Ottawa?

Mr. SOUTHAM: Transcontinental, say from Montreal to Vancouver. The total cost compares, on a per capita mile basis for moving passengers.

Mr. SINCLAIR: I would think that the ratio would be even higher. It would get closer, I would say, to between three and four to one.

Mr. SOUTHAM: Then this would naturally be an incentive on the part of any transportation company moving people to try to encourage people to leave rail transportation and to go to air.

Mr. SINCLAIR: I do not think it is a matter of encouragement; but I think people are attracted to the speed, the comfort and the advantages of air travel. This is particularly so in younger people, many of whom think of no other way to travel but by car for a short distance and air for a long distance; And older people too. Business travel has completely left the rails on the time element alone.

● (11:40 a.m.)

Mr. SOUTHAM: Possibly you are right as far as comparing younger people with older people, but there is still a resistance in the minds of a lot of Canadians yet, who for some reason or other, do not like to take to the air. Now, is this gradually dissipating as time goes on?

Mr. SINCLAIR: No question, it is dissipating. And, once again, maybe they do not believe statistics, but statistics show that they are safer aboard an airplane than they are walking down to their office or going to church. You said that, Mr. Lewis, I did not.

Mr. SOUTHAM: The other questions that I had in mind have been pretty well covered. Thanks, Mr. Chairman.

Mr. BELL (*Saint John-Albert*): Mr. Chairman, with respect to this matter of variable cost figures and the disagreement over the bases, do I understand that there are departmental officials here at the present time, or Board of Transport Commissioners who will be prepared to deal with this matter.

The CHAIRMAN: We have been informed that there will be cost analysts of the Board of Transport Commissioners available to us, and also the department cost analysts of D.O.T. They are not here now, but they will; they are subject to our call.

Mr. BELL (*Saint John-Albert*): I would think it would be good to tell them in advance that we need some assistance with this particular aspect, because we have a responsibility to satisfy ourselves with regard to it.

The CHAIRMAN: They have already been advised by the committee, and I have to-day advised them to have their people here from here on in. Mr. Olson.

Mr. OLSON: Mr. Chairman, I have two or three things I want to get into for about the next twenty or twenty-five minutes. To begin with, I do not know whether Mr. Emerson or Mr. Sinclair want to comment on this, but there have been conflicting statements, I think, by witnesses from the C.P.R. over the years as to what they intend to do with the passenger service. I would like to quote from the other proceedings of the Royal Commission on Transport on January 27, 1960, where Mr. Frawley asked Mr. Crump a question about this matter of the future intentions of the C.P.R. respecting passenger service.

In reply to a question about this matter of how long they intend to continue the passenger service, Mr. Crump answered this way:

"One is just as real as the other and the difference here is the deficit in the moving of grain and the moving of passengers. I think perhaps I would agree with that, Mr. Frawley, but the difference is this: that we can do nothing about statutory rates, referring to the grain rates, under our present legislation. We can do a great deal about passenger rates, passenger deficit, as you term it."

I would like you to listen to this very carefully.

"Now, if all passenger service ceased on Canadian Pacific, then that deficit would disappear, and that is the end to which we are working."

Now, Mr. Chairman, I would like to ask Mr. Emerson or Mr. Sinclair if the senior management of the Canadian Pacific Railway have changed their minds since Mr. Crump gave that statement before the MacPherson Royal Commission?

Mr. EMERSON: Well, Mr. Chairman, we are certainly working to the end that passenger deficits disappear. That is our objective and must be our aim, certainly.

Mr. OLSON: Well, it says here "if all passenger service ceased on the Canadian Pacific," and you do not think that is related to the statement "and that is the end to which we are working?"

Mr. EMERSON: No. I put it to the elimination of the deficit.

Mr. OLSON: But if you are working towards the end of the deficits and ceasing all passenger services would accomplish that end, I suppose you would proceed on that basis, would you?

Mr. EMERSON: It would be, perhaps, one way, but not necessarily the only way.

Mr. OLSON: What other way is there, when we have not had any indication from any of the witnesses from the C.P.R. that they believe, in the foreseeable future, that there is any way that they can remove the deficits from transcontinental train passenger service.

Mr. EMERSON: Well, of course, one step that we have taken and that is under review here is the elimination of the Dominion. That is a step towards it. In the other field—

Mr. OLSON: You still have a deficit on the Canadian, don't you?

Mr. EMERSON: That is correct. In that field, of course, you are dealing with quite a different situation in that the total passenger revenues earned by the Canadian are much higher than those earned by the Dominion. The deficit, proportionately, is not as bad. Amongst the measures that we have open to us is the question of fare adjustment within the limits prescribed by the Board to maximize the net return, or, to put it the other way, to minimize the net loss that results from the operation of that train.

Mr. OLSON: Well, Mr. Chairman, I just wanted that statement to be on the record because there has, as I suggested, what appears, at least, to be some change of attitude by C.P.R. officials from time to time as to the continuance of these trains.

Mr. EMERSON: Now, if I might just comment, Mr. Chairman, of course, some six years have elapsed since that statement was made.

Mr. OLSON: And you think that in 1966 and in the future from 1966, there is some less likelihood that the management of the C.P.R. will want to do away with these passenger services?

Mr. EMERSON: That would depend, surely, on circumstances as they unfold, and I, for one, am not able to predict what may transpire.

Mr. OLSON: Is it a fact, Mr. Emerson, that after 1960, or at about 1960, the same time as this statement was made by Mr. Crump, is when the C.P.R. started to reduce, I don't like to use the word "downgrade" because you don't like that term, but at least started to reduce the accommodation on the transcontinental service?

Mr. EMERSON: I think the change, which, however, was reviewed and summarized by the Board and took place, as I recall it, subject to check, in the fall of 1960, the day after this statement was made. Prior to that time, however, in 1959, for example, there were three transcontinental trains, and I refer to page 7 of the judgment of the Board.

Mr. OLSON: Well, Mr. Emerson or Mr. Sinclair, I would like to ask you if it is possible to express mathematically this term "effective demand" in retrospect. That is to say, is there a time when you can look back and say that effective demand is so many passengers.

Mr. EMERSON; No. I don't know of any way that could be done, Mr. Olson, no.

Mr. OLSON: There is no point, then, in your definition of this word "effective demand" where you could actually say that the effective demand is at this level, expressed mathematically.

Mr. EMERSON: Well, when you say expressed mathematically, expressed in terms of number of passengers, no.

Mr. OLSON: Well, for example, suppose you hauled, and I am just using this figure, 100,000 passengers in 1964. Would that figure be the effective demand for 1964? Now, I am not saying you can predict it, but when you look back at it, would that be a mathematical expression of what you mean by effective demand?

Mr. EMERSON: I think you would have to look at that not in terms of the number of passengers, but in terms of the revenues that were earned and look at those revenues then in relation to the costs that were incurred.

● (11:50 a.m.)

Mr. OLSON: We want to use this term. There is no way in your explanation of this term that it could be expressed in numbers: is that it?

Mr. EMERSON: Well, you say in terms of numbers of people. People are not used, Mr. Olson. One person wants to travel 100 miles, the next person 1,000. They are not the same thing.

Mr. OLSON: I understand that, but what I am talking about is this. If we could get to some point where we could determine whether or not this effective demand is related to the number of people who wanted to use the service, it would help.

Mr. EMERSON: The effective demand reflects the number of people in retrospect that do use the service in terms of the revenues that they provide or the cost incurred.

Mr. OLSON: Mr. Chairman, Mr. Sinclair made an interesting comment a few minutes ago. He said that effective demand must be distinguished from desire. I wonder if we could have a slightly expanded explanation of just what is meant by that.

Mr. SINCLAIR: Desire is, as I put it, people may have a desire for something but they have no effective demand for it, unless the outlay that they are prepared to make will resolve itself into the application of resources it reduces. It is as easy as that. Let me give you an example. You might have the desire for—no offense meant to anyone—you might have a desire for whiskey or chocolates but if you were not prepared to make an outlay for those chocolates, the demand would be unfavourable and the production of chocolates would be a misallocation of resources if you were giving them away.

Mr. OLSON: If I had a desire for these chocolates and I knew where they were and I was willing to pay the price, and the door was locked so that I couldn't get in to buy them what effect would this have on effective demand or doesn't that enter into your definition of it.

Mr. SINCLAIR: I made that clear, I think, the other day, Mr. Olson. I say once there is an effective demand, then you must market, and you need no stimulus to do it because you are getting back more. That is basic—there is no question about it that you have to market. We have, I hope, drawn to the attention of the Committee the activities that we did in marketing the Canadian, and our new equipment in 1954 and 1955 did result in what we thought was the beginning of a trend which unfortunately fell off.

Mr. OLSON: I am not quarrelling with that. As a matter of fact, I am not quarrelling with the effectiveness of your marketing of the passenger service, but I do have some difficulty in understanding this matter of what appears to be

a lack of providing a service that is being desired and along with that desire goes the willingness to pay the price. Perhaps we could get a little more specific about this.

Mr. SINCLAIR: Let me give you an example, as I said before. With the Faresaver plan we stimulated people to ride the trains, and they came forward in large numbers to get on the train but the fares were so low that they were not even covering the additional cost of carrying those people. In other words, the deficit increased and this is why we had to abandon that kind of approach. You say they are willing to pay the price. I will give you an example Mr. Olson, that may help you. There is an effective demand for commuter service on the Lakeshore out of Montreal. These rates are set by the Board and the service meets more than its variable cost. We adjust our service with the gross patronage in that area, and there is an effective demand for rail passenger service in the area between Rigaud and Montreal on the Lakeshore that is being served, and, as far as we can see in the future, will be there and we will serve it. We do not have to be stimulated to do that. That is our business, and we go after it.

Mr. OLSON: I wonder, Mr. Chairman, if we could be a little more specific about this difference in what I think is public demand for service and this so-called effective demand, bringing in all of these matters of prices and so on.

The other day I suggested to you to be prepared to answer some questions on specific points and I think at that time I said I would bring up both Medicine Hat and Edmonton and the reason I want to bring up Edmonton, although I am more familiar with Medicine Hat perhaps, is Medicine Hat is a small city, slightly over 25,000, but Edmonton is not; it is well over 300,000. What happens if someone phones your agent in Edmonton and wants a reservation on your train from Edmonton to Calgary and somewhere else that requires space on the Canadian either to Vancouver or to Eastern Canada?

Mr. SINCLAIR: Well, on our service between Edmonton and Calgary it is non-reserved space.

Mr. OLSON: I understand that, but when they want to reserve a space on the transcontinental run.

Mr. SINCLAIR: It would be referred to the closest bureau.

Mr. OLSON: That is in Calgary?

Mr. SINCLAIR: Yes, and they would see if they have space available for the type. We will take it for one of the easiest to fill; an upper berth; he would likely get a reply back quickly. If he asked for a drawing-room of which there are a few, and the one out of Calgary was sold, it would be referred by Calgary to—

Mr. OLSON: Before we get into that, what does your agent do with that reservation, that demand for a space?

Mr. SINCLAIR: What would he do? He would either telephone it to our office in Calgary or send it down to Telex saying the date, the train, the type of space.

● (12:00)

Mr. OLSON: How much accommodation or facilities are available to that agent between Edmonton and Calgary?

Mr. SINCLAIR: How much facilities?

Mr. OLSON: What facilities does that agent have at his disposal to get in touch with the reservation agency in Calgary to determine whether he can sell the space or not?

Mr. SINCLAIR: There are times in each day in which passengers have priority outside of emergency moves on our wire.

Mr. OLSON: Is there one line between Calgary and Edmonton, or how many?

Mr. SINCLAIR: One line. We have a microwave situation. We can use the microwave, we can use our land wires, we can go via Winnipeg.

Mr. OLSON: Do you mean now that this passenger agent in Edmonton has that at his disposal for each and every request for service that comes in?

Mr. SINCLAIR: He gathers them together and he does it at a specified time. He communicates daily with the bureau as to his requirements for space.

Mr. OLSON: My understanding is, Mr. Sinclair, that one or two circuits if I may call them that, only are available between your Edmonton office and your Calgary reservations office, and it is not uncommon for that agent to have to wait 6 to 8 hours before he can get on, or have a circuit at all available to him to even ask whether this space is available.

Mr. SINCLAIR: I am surprised if there are two circuits and if he had time to come on at four o'clock, I would think that it would be rather unusual that he would interrupt other business to come on say at 10 o'clock.

Mr. OLSON: You think that is adequate service for a city that is well over 300,000 people, do you?

Mr. SINCLAIR: Mr. Olson, let us say, for instance, you asked for a drawing-room out of Calgary to Ottawa for the 24th of May today. What is the hurry?

Mr. OLSON: Suppose you wanted to go tomorrow?

Mr. SINCLAIR: Oh, if you wanted to go tomorrow then you are up against a different situation. You say, "I am leaving on the train now. I am going down to Calgary. Do you think you can get a message down for me now to see whether there is any space and get me an answer back." I would doubt whether we could do it in say, ten minutes, but he would likely say, "I will get a message down and if you will contact our office in Calgary the answer will be provided to you there."

Mr. OLSON: Do you think that that prospective passenger would like to wait several hours. Do you think he would leave Edmonton before he had this confirmation on the other part of his journey?

Mr. SINCLAIR: Mr. Olson, I and many others, and likely yourself have stood at airports on a "go show" basis for hours and hours on end, and never complained about it at all.

Mr. OLSON: I have also stood, or not stood in line, but I have picked up my telephone and I can get a reservation from the air either "Yes" or "No" within two minutes sometimes.

Mr. SINCLAIR: Sometimes?

Mr. OLSON: In fact, almost always they can tell you whether or not.

Mr. SINCLAIR: Your experience then, of almost always, is a little different from mine. They have a very excellent reservation system in the airlines for the reasons that have been given, but it all depends on how quickly you have to move. Of course, you could keep a wire open all the time. This has a cost attributed to it.

Mr. OLSON: In the opinion of the company that would not be justifiable for a city the size of Edmonton.

Mr. SINCLAIR: If we felt that by doing this and getting that cost added in, we could increase our patronage, we could meet the cost of the service with that cost put in, we have done it. Years ago, you know Mr. Olson, there was a lot more facilities provided than there are today because there were more people travelling and there was a greater demand for this type of service. These things have changed as the market for rail passenger service have shrunk.

Mr. OLSON: Let us talk about Medicine Hat for just a couple of minutes and then I want to get into something else. My information is that the office in Medicine Hat, for example, never has any upper berths allocated to them for sale. Is that right?

Mr. SINCLAIR: I don't know. I will let Mr. Emerson answer that question.

Mr. EMERSON: That is correct, because our distribution of space is allocated to main centres on the transcontinental route, Vancouver, Calgary, Winnipeg, Montreal.

Mr. OLSON: If anybody in Medicine Hat wanted to buy an upper berth to go to Vancouver or to Montreal or any point in between it is never available to him.

Mr. EMERSON: No, no, don't put it that way. It is not that it is never available to him but that he consults the closest reservation bureau.

Mr. OLSON: Mr. Sinclair, you said the other day that when the Board of Transport Commissioners asked you to prepare for a hearing last September, this was a very onerous task.

Mr. SINCLAIR: I didn't say that. What I said was that I know of no order of the Board in regard to a hearing that was so onerous on the railway company as the hearing in the Dominion case. That is a little different.

Mr. OLSON: That does not mean the same thing as I said then.

Mr. SINCLAIR: Not at all the same.

Mr. OLSON: Would you agree that this most onerous, or however you want to put it, task for the C.P.R. was probably even more onerous on the other interested parties who wanted to appear at that Board hearing?

Mr. SINCLAIR: I certainly don't. For instance, the whole of the resources of the Province of Alberta were available. They have a University; compared to them we are a mere corporal's guard.

Mr. OLSON: Did the Province of Alberta have access to the cost factors going into the passenger service on the Dominion?

Mr. SINCLAIR: All of our submissions in there were made available to them in advance.

Mr. OLSON: But they were made available to them about ten days before the hearing began; is that not right?

MR. SINCLAIR: Ten days? I think that is what the Board said. Yes. Not only this, they had the opportunity to examine, and each place that we went we had to put in a summary of what we had said at the other place, and go through a cross-examination on a cross-examination.

THE CHAIRMAN: Excuse me, Mr. Sinclair, really I don't think that this Committee is interested in the difficulties encountered by representations to be made to the Board of Transport Commissioners or the difficulties encountered by the C.P.R. I think, Mr. Olson, if we can direct ourselves to our own particular problems here and the facts that we can get from them, rather than what difficulties are incurred by people wishing to make representations to the Board of Transport Commissioners, we will make progress.

MR. OLSON: May I suggest to you, Mr. Chairman, that the only variable available costs or other costs that we have available to us are the same costs that were presented to the Board of Transport Commissioners. I would also like to suggest to you that if we could establish the costs that were shown are not acceptable to this Committee, then the whole argument breaks down.

THE CHAIRMAN: I am not disagreeing with your last statement, Mr. Olson. What I am bringing to your attention are the difficulties encountered by the C.P.R. in preparing their brief to the Board of Transport Commissioners, and the difficulties incurred by others making representations to the Board of Transport Commissioners, I think are really not relative to our hearing. Your latter statement I can agree with as a cost and they can be brought forward, but not what difficulties incurred by the Province of Alberta or the Province of Saskatchewan in preparing their representations.

MR. OLSON: Well, Mr. Chairman, on October 12 I believe it was at the Board of Transport Commissioner hearings in Calgary when I asked Mr. Neveu, who was the C.P.R. witness and Comptroller of the company to give me a detailed explanation of how they arrived at the cost of \$628,678 for what was under "Other General Expenses" he was unable to do so. It seems to me, that there is a very important matter here. First of all, the C.P.R. witnesses were not able to give a breakdown of the cost that they insist in using as a deficit for this service, and, at the same time, we have Mr. Sinclair saying it was onerous task to provide this in the time that was available to them. Perhaps we should get into this?

THE CHAIRMAN: Mr. Olson, I think we are running a peril line here. I don't disagree with any of your latter statements. The only thing that I perhaps would bring to the attention of the Committee is that any difficulties encountered by any people wishing to make briefs or placing a brief before the Board of Transport Commissioners or why they encountered these difficulties is important to us. I think that if you want to ask a question of Mr. Sinclair, or Mr. Emerson or the others on why only that information was made available and it could be brought forth to this Committee in the form in which you wish it to be brought forth, that would be all right. I hope I am making myself clear in stating that the reason for difficulties for making representations, I don't think is relevant to this Committee. Let us start all over again.

MR. OLSON: Mr. Sinclair, I would like to pursue this matter that Mr. Southam brought up a few minutes ago about the cost co-efficients that are produced by a means of regression analysis. This was not acceptable was it to the MacPherson Royal Commission respecting some other parts of your operations?

Mr. SINCLAIR: Certainly it was acceptable.

Mr. OLSON: As Mr. Southam pointed out, how come this change from a \$17 million deficit to something around \$2 million, if they were acceptable.

Mr. SINCLAIR: Because in the costs that were put forward, solely related grain lines were included in our figure and on the Royal Commission they put that over, carved that out and dealt with it in another way. They dealt with them separately. That is the large difference in those figures.

● (12:10 p.m.)

Mr. OLSON: Surely, if these independent variables that go into the formula are not acceptable, then the result of what you get from developing the cost co-efficient by means of regression analysis is not acceptable either, is it?

Mr. SINCLAIR: There are mathematical tests to apply to see whether they are acceptable provided you apply what I say is knowledgeable in the application of the independent variables and the choices. I gave you an example of one that might give you correlation that looked statistically right, but your knowledge will tell you it is not right at all.

Mr. OLSON: I am no quite sure what you mean by this "K" factor or this knowledge factor, but I would like to suggest this to you. There were other people who were expertises in this kind of cost accounting before the MacPherson Royal Commission. Surely, if their knowledge factor of railway operations was great enough to break down your cost analysis from a \$17 million deficit to \$2 million deficit, then you have to take that into account, too, do you not?

Mr. SINCLAIR: I will go over it again. The solely related grain branch line cost was taken out of our cost figures and dealt with by the MacPherson Royal Commission as a separate matter. It had nothing to do with an attack upon the independent variables or the cost co-efficient developed in the equations. Do you not understand what I am saying, Mr. Olson?

Mr. OLSON: What do you mean by solely the branch line variables?

Mr. SINCLAIR: I said the branch line was solely related. Now the solely related range from anywhere from 75 per cent to 100 per cent to the movement of grain. In other words, there was nothing moving over it—relatively nothing—except grain, and therefore all costs in association with that were taken in as variables. The Royal Commission came to the conclusion that they were not going to handle it that way. They were going to handle the branch line problem in respect of grain or in respect of anything else, separate and apart. This is the major change in those figures.

Mr. OLSON: Are you suggesting then that the change in those figures from the \$17 million to the \$2 million is almost 100 per cent attributable to this one single factor.

Mr. SINCLAIR: That was the major one. There were other smaller ones; there were some adjustments made in them but that was by far the large sum.

Mr. OLSON: By the way, Mr. Sinclair, has an independent original costing, if I may use that word and if you understand me, ever been done of the C.P.R. passenger records.

Mr. SINCLAIR: Certainly, by the Board. They take our data and they have done it time without number and checked it out.

Mr. OLSON: You mean that the Board of Transport Commissioners Costing department have made a thorough and detailed examination; that is an original costing of the revenue and expenditures related to passenger service?

Mr. SINCLAIR: You say an independent, and detailed examination. You see, what you can do in this is you can refine it and refine it but, if they have numbers that they can move forward with confidence on and the disparities in their revenues and costs are such an element, they stop there. That is the normal way of approaching this; that is the normal way of any regulatory tribunal or any court doing it. They go into it to the depth that they think necessary to arrive at the conclusions and they can then move forward to the application of whatever criteria they are applying.

Mr. OLSON: Has anyone other than personnel from the C.P.R. cost accounting ever gone back into the records and started to work out these costs from a basis of an original costing, if you understand what I mean?

Mr. SINCLAIR: You can't. For instance, it was done by the Royal Commission. We have had people from the economic section supporting the Board, who have looked at our papers and gone into the basis of our accounting; the answer is yes.

Mr. OLSON: To the same degree, for example, that was done for purposes of the Crows Nest rates for the Royal Commission?

Mr. SINCLAIR: Not to that degree, because, Mr. Olson, what was established there was a factor to a dollar amount and a request that be offset in total. Here the criteria being applied was different. You didn't have to do that in this kind of a case.

Mr. OLSON: The results of that very detailed analysis was rather profound in challenging the deficit advanced by the C.P.R. in that regard, was it not?

Mr. SINCLAIR: No, sir. It was not. If I may say so, if you really study this and go into it in depth you will find that the MacPherson Royal Commission, in regards to costing, supported the position with regard to C.P.R. after taking out the solely related branch lines.

The CHAIRMAN: Mr. Olson, may I bring this to your attention. Your time expired by 12.10 but I allowed the extra five minutes because of my intervention. I was just wondering if you had finished.

Mr. OLSON: No, I have to come back again. If I could have about five minutes I would like to refer Mr. Sinclair to page 15 of their brief where they say in the last paragraph "It is very important to realize that in the calculation of these deficits no charge has been made against the passenger service for constant cost". Then they show a deficit of \$26 million for 1964. I was wondering what other costs could possibly be included at constant cost than those that were presented respecting the Dominion, when they include everything from cost of money to other general expenses and so on.

Mr. SINCLAIR: I think I gave an example the other day. The best example, the easiest example, the textbook example of constant cost is the president's salary. Every company has a president:—his salary is fixed, as long as the company is in operation, if they cut their business in half they still have to have a president, so his salary is a constant factor.

Mr. OLSON: That is also cut in half.

Mr. SINCLAIR: It depends on how much acuity he has to apply. It may be his salary should double if the business falls off.

Mr. OLSON: My time is up Mr. Chairman, but what I would like to know is this—the president's salary is one thing—is there any significant, that is large so-called, constant cost that is not included in these variable costs?

Mr. SINCLAIR: Yes, I would say that the rule of thumb in railway transportation, the difference between fully distributed costs which are made up of constant costs and variable costs, is that the ratio of constant to variable costs is in the nature of 25 per cent constant, 75 per cent variable. That is the fact and figure, and you have to be careful in doing that, but basically I would think it is around those figures, maybe 70-30, 25-75.

Mr. OLSON: There is no provision in any of these variable costs for the constant cost that you may have in addition to them; is that correct?

Mr. SINCLAIR: That is correct.

Mr. OLSON: I have a lot more, Mr. Chairman, and I would like you to put my name down again.

The CHAIRMAN: I will put your name down for the next round, Mr. Olson. Mr. Tolmie?

Mr. TOLMIE: Mr. Chairman, I would like to make a few observations on perhaps a broader basis. Just from the general discussion, it would appear that the people of Canada believe that possibly the C.P.R. has broken a contract with the Canadian people, and that contract basically would ask the C.P.R. to provide adequate and efficient railway service, including passenger service for the Canadian people forever.

Mr. SINCLAIR: Forever.

● (12:20 p.m.)

Mr. TOLMIE: Yes. The normal procedure, if a contract is broken, or allegedly broken, is to have the plaintiff bring an action in a court of law, have it adjudicated upon and have a decision rendered. I do not feel that this type of narrow specific action is adequate in these circumstances, but the basic principle is the same. I see no reason why an independent court, a commission of judges, could not have this contract or this action brought before it, then to make a reasoned legal judgment on it.

You see, and we have had for three or four days, a discussion of the pros and cons of the service. Your position is that basically it is adequate service, and I think running throughout the whole theme is the fact that you are not expected to provide passenger service at a loss. That is basically your position. I think that the Committee should know what your obligations are. I am not sure myself, frankly. I am talking about a legal interpretation. The court could interpret that the company had to run forever and efficiently, maintain the Canadian Pacific Railway. You equate the word "efficiently" with the word "economic"? "Efficiently" could have other interpretations. It could mean good service regardless of loss. And this is the crux of the whole matter, in my opinion.

The court could also rule on the question of whether, apart from any specific legal obligations, there are moral obligations, in view of the history of the company and the background of the contract.

You have argued effective demand, and this again, as we have all mentioned, is the crux of the whole matter. This could be discussed and perhaps will be for another two months. But no decision will be made; we will be no further ahead in regard to any effective action, respecting the question of effective demand. My submission is simply that if we wish to get any effective decision in regard to a particular phrase like this, it has to be put under legal scrutiny.

This court could make findings. Evidence would be brought forth; but what is important is they could render a decision. For example, if they found against the company, as it were, then there are remedies. It is a contractual obligation. Surely it could be under court scrutiny and have the same effect as an ordinary action, basically speaking. If the company was found to be in conflict with their contract, if it were found that they did not fulfill the conditions of the contract, then there is no reason why the remedy of the specific performance could not be applied, as in any other contract.

My simple question is this, and I have two more minor questions. Of course it might not be a question of willingness, if the government or an agency brought the actual action. I would like to know the reaction of the C.P.R. to a proposition of this nature.

MR. SINCLAIR: I wish you would put some questions to Mr. Emerson. I seem to be doing all the work here. May I say that the question you have raised was considered, whether the company carried out its obligations under its original contract, by the Duff Commission, which was headed up, as I said the other day, by the most distinguished jurist I think that Canada has ever produced, Sir Lyman Peore Duff, who was the Chief Justice of Canada. I quoted what he said that they had honourably discharged their obligations. That is one. The MacPherson Commission heard evidence in extense, for months, on the very problem which you were raising, and it was headed up by I guess, at least one of Saskatchewan's most distinguished and most experienced practitioners in the law. The Board of Transport Commissioners, in the cases ranging from 1946 right through until 1956, case after case, had the very points that you are having brought forward, argued. On appeal from the Board of Transport Commissioners to the Canadian Privy Council, the same points which you have mentioned were brought forward, and in the Canadian Privy Council, adjudicating on those arguments, another distinguished member of the legal profession of Canada, Mr. St. Laurent, was presiding. On another occasion, another member of the legal profession, Mr. Diefenbaker, presided. Another time, Mr. Sidney Smith took a very active part. Mr. Sidney Smith was a law teacher and one time at Dalhousie. He also taught in Harvard in the law school. This matter has been considered time and again, and without exception, without exception. The suggestion that the company had not carried out its obligations was found to be not well-founded.

MR. TOLMIE: Mr. Sinclair, this question of efficiently maintaining work and running the Canadian Pacific Railway was specifically dealt with, the word "efficiently" dealt with?

MR. SINCLAIR: You see, let me put it this way. This contract has to be looked at when it was in existence, when it was drawn. In 1881, there was no regulatory tribunal. The rate tribunal was the railway committee in effect in Parliament. And in that contract you will find that railway companies were allowed to make 15 per cent on the capital investment, but that Canadian

Pacific was limited to 10 per cent on the capital investment, by that contract. Then, when that work was taken away from a parliamentary committee and an independent special Board was established, with the early Board of Railway Commissioners in 1903. The jurisdiction that had previously been carried out by a committee of the House was turned over to the Board of Railway Commissioners, which subsequently became the Board of Transport Commissioners. The very language that you referred to had been referred to before that Board, before the Turgeon Royal Commission, in 1950, MacPherson in 1957-58 through to '60, before the Canadian Privy Council, and so on.

Mr. BELL (*Saint John-Albert*): In connection, Mr. Sinclair, with this consideration of the obligations of the railway that you have just mentioned, would this apply to the agreement as well as to section 315 of the Railway Act?

Mr. SINCLAIR: Section 315 of the Railway Act is incorporated by reference into the Canadian Pacific Act of Incorporation except where there is an inconsistency and where the Act of Incorporation overrides. There is specific provision in that regard. In other words, this whole statute which applies to railways generally is a part of the determinant law applied to the Canadian Pacific, because it is incorporated by reference. That is how section 315 comes into the Canadian Pacific.

Mr. HORNER (*Acadia*): May I ask a supplementary, Mr. Chairman, on this question of obligation. Mr. Sinclair, suppose in the future the C.P.R. gets right out of the passenger business completely, do you still feel that the C.P.R. would have lived up to its obligations?

Mr. SINCLAIR: Canadian Pacific would not get out of rail passenger service completely if there is an effective demand for it, and they would not be allowed to get out of it, even if they wanted to, which they don't. May I finish? If there was a need, in the light of all proper interests, because the law applies to them and is interpreted by an independent tribunal, subject to an appeal, to the Canadian Privy Council, in its judicial capacity.

Mr. CHAIRMAN: I think we will let Mr. Tolmie carry on again, Mr. Horner.

Mr. TOLMIE: Mr. Chairman, I realize that Mr. Sinclair makes very plausible arguments in regard to the investigations that have already gone on, in particular to the contract, and to the Railway Act itself. But my specific question was this: Do you not agree that you are a contracting party as in any other contract, and that it would be quite possible, and perhaps proper, that an action could be brought in a court of law, the Supreme Court of Canada or any other court which would have jurisdiction, and at that time—this has never been done before—both sides would argue and the judge, based on the evidence, would render a decision which would be binding either on the company or on the government.

Mr. SINCLAIR: Of course, the Canadian Pacific Railway as a Canadian citizen, is subject to the jurisdiction of the Canadian courts. Do you mind if I suggest to you why nobody has taken any action?

The CHAIRMAN: I do not think, Mr. Tolmie, that we can ask a contracting party if they mind being taken to court on a contract they have entered into. I do not think this is a fair question to ask of any contracting party.

Mr. TOLMIE: In that matter it is not. I just wanted to get Mr. Sinclair's reaction, and I think I perhaps have, and he is going to pursue it. I just wanted

to bring up this approach, and as I say again, to me there have been many commissions and many opinions, but perhaps the only effective way to get remedial action is to have a type of court hearing which is open to private litigants and also public litigants. I just have too many questions—I know you want to adjourn, Mr. Chairman.

Mr. CHAIRMAN: To adjourn? We are not adjourning until 1:00.

Mr. TOLMIE: Mr. Chairman, I would like one more question to Mr. Sinclair. Now, your main contention has been that the passenger service is very unrewarding to the C.P.R. This, of course, would mean that if C.P.R. passenger service is decreased, then the overflow goes to the C.N.R. If it is so unrewarding to the C.P.R., by logical reasoning, I would assume that would be uneconomic also for the C.N.R., which would mean an increased deficit for the C.N.R., and an increased tax burden for the people of Canada. What is your observation on that?

● (12:30 p.m.)

Mr. SINCLAIR: Well, the traffic that once moved by rail of Canadian Pacific is first of all moving by highway, in private automobile or by bus carrier, motor coach operators, or by air. Some of it may be going to the Canadian National, but it would be a small, small part. In so far as the Canadian National is concerned, as I understand their position, and I could be quite wrong about this, they believe that they can make rail passengers pay. To date, I have never seen any demonstration of it. The figure that is recorded as the deficit of the Canadian National in 1958, when the Royal Commission considered it, was some \$40 million. I have reason to believe that it has got higher. However, they have a view, and it is wrong to suspect that the Canadian National have not applied to the Board to withdraw rail passenger services. They have. And they make clear that they will do so in the future. As I said earlier, we tried what some other people are now trying, we tried this ten years ago. We poured \$60,000,000 into rail passenger. We entered into a very aggressive marketing plan, and so on. But we could not change the views of people.

The CHAIRMAN: Can we get back to the question, Mr. Sinclair.

Mr. TOLMIE: Yes, my question is this. Thank you, Mr. Chairman. By decreasing your passenger service, you are decreasing your deficit. Now, there is still a demand for passenger service, so what you are doing in effect is shifting the deficit from your own private company to a public owned company, the C.N.R., which has, of course, detrimental effects upon the Canadian taxpayer.

Mr. SINCLAIR: Mr. Tolmie, all I can say is what you are saying to me is we have increased the tax liability of Canadian Pacific, because we, for some years, were able, in our income tax, to offset the deficit of the Canadian National. But we have not been able to make that large a contribution to Canada in recent years. They do not feel that there is an effective demand for rail passenger services and in some cases they have not felt so. Then they make application to the Board the same as we do, to have it withdrawn.

Mr. LEWIS: Mr. Chairman, I have not been able to attend the sessions previously, so that if I repeat some questions that have been asked, I hope you and Mr. Emerson and Mr. Sinclair will forgive me. I want to get back to this effective demand business for a minute or two. Mr. Sinclair said that he thought he had not made himself clear. I want to suggest to him that the reason he

has not made himself clear on that, I suspect, is that he has put the idea of effective demand on his head. He referred to having quoted from Hanson. I was not here when he quoted, but I can guess what the quotation might have said. You are not suggesting, are you, Mr. Sinclair, that the term "effective demand" is used especially by railway economists?

Mr. SINCLAIR: Especially by?

Mr. LEWIS: Yes.

Mr. SINCLAIR: No.

Mr. LEWIS: Or that it is a term which has been developed in connection with railway or other transportation?

Mr. SINCLAIR: Exclusively? No, Sir.

Mr. LEWIS: Or at all?

Mr. SINCLAIR: Oh, I do not know about at all.

Mr. LEWIS: Can you indicate to me any other publication dealing with railways which has used effective demand in the sense in which you use it in your brief? Just one.

Mr. SINCLAIR: I am sure there are lots of them. The "Economics of Transportation" by W. T. Jackman.

Mr. LEWIS: We will take a look at it together, Mr. Sinclair. I have not looked at it for some time. "Effective demand", by an economist like Hanson, Mr. Sinclair, means simply this: In a situation, you have people who have needs, but those needs cannot be translated into demand unless they have the purchasing power to buy the things that will satisfy those needs. Is that roughly what you are talking about?

Mr. SINCLAIR: No, I would add to it and make an outlay sufficient to meet the cost of supplying the goods or the service.

Mr. LEWIS: That addition, Mr. Sinclair, depends on your assumption—which I personally challenge vehemently—that a railway service is exactly the same as making any other product, and that there is in the railway service no part which is covered by an obligation to serve the people of the country, regardless of the profitability of that service. You give the railway service, you give your obligation, Mr. Sinclair, and I think it is a criminal neglect by the C.P.R. of its social responsibility that it talks about effective demand in terms only of whether or not it is profitable for it, and does not pay attention to the fact that it is under, as every railway service is, an obligation to provide service for the people of Canada—let me finish—first, for example, in case of difficulties like war; second, in case of large exports like grain. Whether or not it is profitable to you, the economy of Canada requires that that be transported across hundreds of miles in Canada and out to other countries to which the export is intended. Is it not a fact that your definition of this so-called effective demand leaves out any consideration whatever of the obligation of the Canadian Pacific Railway to serve the Canadian people regardless of profit.

Mr. SINCLAIR: Absolutely not, Mr. Lewis. May I finish, Mr. Chairman? Because if, irrespective of costs, you apply scarce resources of manpower in capital, you are doing a disservice to Canada.

Mr. LEWIS: Are you? Suppose you do that, irrespective of costs, to build universities or hospitals or schools, are you doing a disservice to Canada?

Mr. SINCLAIR: Now, Mr. Lewis, I don't know very much about hospitals, but I do know this: people do pay for a great number of hospitals. As far as education is concerned, I paid for mine, except what somebody gave me, what I won.

Mr. LEWIS: I did the same, Mr. Sinclair, and a late president of your railway enabled me to make it.

Mr. SINCLAIR: Just because it was given, some people suggest that it is given to you for nothing.

Mr. LEWIS: I don't think that would help you at all. I am not talking about that for nothing. Nothing is given for nothing in the economy. Somewhere in the economy it is paid for. This takes me to the second point that Mr. Tolmie raised with you and which, with great respect, you have not covered. Because if there is logic in the position of the Canadian Pacific Railway, Mr. Sinclair, and Mr. Emerson, if there is logic in your position, that the only time you will provide passenger service is when it is profitable to you, then Mr. Tolmie's question really resolves itself to this, and this is what worries me, as one citizen of Canada. Why should the C.N.R. provide passenger service which is not profitable, and if both railways decide that, where is railway passenger service going to come from?

Mr. SINCLAIR: Mr. Lewis, the Canadian Pacific or Canadian National have an obligation to provide adequate and suitable passenger service in the light of all proper interests. That is the law, and the Canadian National have no greater obligation than has the Canadian Pacific in that regard. Canadian Pacific has said, and will continue to say, that where there is an effective demand, an actual need, to use Mr. McIntosh's phrase as he defined it, we will provide the service, and we do so.

Mr. LEWIS: I heard that, Mr. Sinclair. I heard that, and I read it, your answer to Mr. Tolmie was, and I did not take it down in shorthand but if anybody did they can correct me if I'm wrong, was that, the Canadian National Railways think that they can make passenger service pay, and then you went on to say—and these are in your precise words—"I have not seen any evidence of that yet."

Mr. SINCLAIR: No, I have not.

Mr. LEWIS: No. Therefore the logic of that statement is that there isn't any passenger service, if given across the country, that can be made profitable.

Mr. SINCLAIR: I don't agree with that at all.

Mr. LEWIS: No, you told me which can be.

Mr. SINCLAIR: I know that at the present time that the commuter service which at one time was not meeting its variable cost and in which we adjusted fares and made other Service adjustments, is now meeting an effective demand and is making more than its variable cost.

● (12:40 p.m.)

Mr. LEWIS: I knew that and I thought it would be the answer and that is why I said across the country.

Mr. SINCLAIR: Across the country?

Mr. LEWIS: Yes.

Mr. SINCLAIR: As I said earlier Mr. Lewis—and you were not here—I have not given up hope that the Canadian can be made a viable operation. How it is going to be done? It is going to require adjustments in the expenses, adjustments in the fares, no doubt, but I still have not given up hope that that can be made a viable service, but I am sure it cannot be if it is dissipated too greatly.

Mr. LEWIS: If you give adequate service in social terms you cannot make it pay.

Mr. SINCLAIR: Mr. Lewis, adequate in social terms may be that everybody under 15 years of age should be given a free ticket so he can see Canada and—

Mr. LEWIS: You and I have known each other for a long time. Do not put that kind of nonsense in my mouth; I may be capable of other nonsense, but not that kind. You know exactly what I mean; there are people in Canada who are deprived of train service as a result of the Dominion having been removed.

Mr. SINCLAIR: Mr. Lewis, I say no. I say that there is train service being provided across Canada that is adequate and suitable in the light of all proper interest. And I say that there is no one in Canada who really can say that he is suffering social disability because he has to drive a few miles to catch the train; he has to go to the airport to get on the plane.

Mr. LEWIS: Those people disagree with, Mr. Sinclair.

Mr. SINCLAIR: Of course, many people have said Mr. Lewis that there is always a minority when something is changed that the minority hates to change. I am sure that you, Mr. Lewis, better than all people recognise how difficult it is for most people to change.

Mr. LEWIS: I know that, but you are not proposing a change to that, you are proposing a worsening in their condition; that is what they resent.

Mr. SINCLAIR: Maybe that will apply to your problem.

Mr. LEWIS: No.

The CHAIRMAN: I do not think that should get into a personal argument here, gentlemen.

Mr. LEWIS: Mr. Sinclair said that the last time passenger service was profitable was in the '20s.

Mr. SINCLAIR: I said that over-all passenger service on the Canadian Pacific met more than its variable cost in the '20s and during the war.

Mr. LEWIS: In the peak wars and I suppose during 1950, 1951?

Mr. SINCLAIR: No, the figures I have in my mind are up to the onslaught of the great depression and in the '40s, in the war.

Mr. LEWIS: I am not doubting your word, Mr. Sinclair, but I would like very much, if the Chairman agrees, to see these figures that justify your statement that in the '20s you met whatever you call by the variable cost, assuming they were on the same bases as now.

Mr. SINCLAIR: Well, of course, we did not maintain our figures with regression analysis at that time, because that technique was not open, but we did make reports with the accounting factors that were available and the techniques that were available at the time they were provided.

Mr. LEWIS: Would you be able to say, Mr. Sinclair, that if you were able to make an analysis in the '20s, similar to the analysis that you make now that you would come out with the results that you say you came out with?

Mr. SINCLAIR: I would think so, Mr. Lewis, but you see, you cannot keep basic records that long a period; we have no records like that back in the '20s that you could do an analysis on, because we have to go right to primary accounts and we do not keep our accounts that long.

Mr. LEWIS: No. Then your statement is on the basis of cost accounting you did in the '20s?

Mr. SINCLAIR: In the application of the accepted basis of accounting as it was known at that time.

Mr. LEWIS: I would like, Mr. Chairman, even with that qualification, I am sure that Mr. Sinclair will agree that cost accounting techniques in the '20s were not as up to date as they are today.

Mr. SINCLAIR: Absolutely not.

Mr. LEWIS: Even on that basis, I think it might be useful to the committee, Mr. Chairman, to have the figures which underline Mr. Sinclair's statement that in the '20s, this over-all passenger service met the variable costs.

Mr. McINTOSH: Are those figures available?

Mr. SINCLAIR: I will take a look, I think that—

Mr. LEWIS: Mr. Sinclair would not make the statement unless the figures to support it were available.

Mr. SINCLAIR: I want to add another thing Mr. Lewis, the way we did the accounting then, we did charge constant costs or a proportion to passenger service and notwithstanding that, we did not.

Mr. LEWIS: Let's have the figures.

Mr. SINCLAIR: Yes; I will look into that.

Mr. LEWIS: Can we go into the variable costs because I understand that there is a time limit to these things. I would like to go at them slightly differently from the way Mr. Olson went. Mr. Sinclair or Mr. Emerson, whichever one of you gentlemen—first, before I do that, will you tell me please the difference between the phrase "passenger revenue" used on page 7 of your brief and "passenger train service" used on page 15. If you have already explained it—has anyone asked that question?—

Mr. SINCLAIR: No, nobody has asked me and—

Mr. LEWIS: You have two different sets of figures, and I would like to know how they are related.

Mr. SINCLAIR: Passenger service is the revenue, passenger revenue is the revenue from the movement of passengers. Passenger train service revenue includes everything that is on the passenger train, mail and so on.

Mr. LEWIS: And the passenger revenue is the revenue from the selling of tickets and berths and meals?

Mr. SINCLAIR: And incidentals to them.

Mr. LEWIS: And does not include any of the things you carry on the passenger train other than passengers. Is that the difference?

Mr. SINCLAIR: You mean like mail or express—

Mr. LEWIS: Yes. Does that mean that if I look at page 7—I am just trying to find out—and at page 15, and let us say 1960, does that mean that in 1960, your

passenger trains had a revenue of \$24.4 millions in express and mail and things other than passengers?

Mr. SINCLAIR: Yes.

Mr. LEWIS: That is what those two figures mean?

Mr. SINCLAIR: Yes.

Mr. LEWIS: And the deficit which you show on page 15 of \$22.8 million for 1960, you can show that that is all attributable to the passenger service, can you?

● (12:50 p.m.)

Mr. SINCLAIR: Well, you see, Mr. Lewis, the way you cost here is that you are taking the passenger trains as they were operated. Now, in some of these trains they were largely moving express, but other trains were largely moving passengers. For example, the Canadian was one that was largely passenger. We have other trains that are largely something else. For example, I know that there are in Canada, straight mail trains operating and there are straight express trains operating. But we have not done that. We have not had a straight mail or a straight express operation on Canadian Pacific. We have had a joint service operation.

Mr. LEWIS: The principal cost which you show for 1960 on page 15 of \$77.7 million is a variable cost that you apply to the total revenue of \$54.9 million.

Mr. SINCLAIR: Correct.

Mr. LEWIS: And, therefore, am I wrong in thinking that in order to give us a proper idea of the variable costs—I will come to them in a moment—applicable to the passenger service, you have to break that variable cost down again, do you not?

Mr. SINCLAIR: Oh, you could, yes.

Mr. LEWIS: What do you mean, you could? You have to, don't you?

Mr. SINCLAIR: You could. What I am saying is, if you are operating a type of train, it's the revenues and expenses from both—all the revenues from the trains, all the expense in running a train.

Mr. LEWIS: But if you apply all your variable costs to the express and mail and that kind of business and to the passenger service simpliciter as well, don't you have to break that \$77.7 million down between those two kinds?

Mr. SINCLAIR: No, but it is obvious, Mr. Lewis, that if we take the cost of towing an express car loaded with express and apply the revenue only the cost of moving that car and exclude from the calculations the revenue from the express and the cost of pulling that car, then, for instance, if I am dealing with main expenses, the result would be to put a heavier impact on passenger because as you go further back in the years the impact of competition for express has not been as great as it is now and this was developed when you were not here by Mr. Fawcett.

Mr. LEWIS: I am not asking at the moment how you would break it down. I am asking whether in order to give us a picture of the variable cost applicable to passenger service you wouldn't have to break that figure down?

Mr. SINCLAIR: No, its meaningless, Mr. Lewis, because you are operating passenger trains as they did, whatever you got on and it would be a meaningless thing to go and start saying well, I am going to take out so much for mail, I am going to take out so much for this. Anything can be done, but the results you get is going to be of any assistance, I would suggest.

Mr. LEWIS: Now this regression analysis, is that the thing which docks an alignment between?

Mr. SINCLAIR: No, no. What you are thinking is the application of these squares and the random distribution of residual. That is one of the tests you apply, but no, all regression analysis is developing with multiple variables, a single application towards cost.

Mr. LEWIS: Unless you can explain these terms you are using I wish you would not use them in so far as I am concerned.

Mr. SINCLAIR: Well, I'm sorry I didn't make the terms up. I didn't develop the technique. They were done by much smarter people than I but I do think I understand them.

Mr. LEWIS: Well, would you please tell me so that I understand them.

Mr. SINCLAIR: Well, as I said it is quite easy to understand, Mr. Lewis, that sometimes more than one factor determines cost behaviour and where you have to make an algebraic formula with multiple variants to explain a cost, then you have to get into multiple regression analysis.

Mr. BELL (*Saint John-Albert*): I understand these terms less since he started questioning.

Mr. LEWIS: In effect, are you creating a straight line graph with a number of variables and one constant or a number of different constants?

Mr. SINCLAIR: A straight line, there is no question about that. We have eight constants, yes, in each factor.

Mr. BYRNE: Sorry to interrupt Mr. Lewis, but on the other hand you can see Mr. Chairman, we are approaching 1 o'clock and we are going to adjourn at one: should we not make some decision about sitting?

The CHAIRMAN: We will continue to one o'clock and then I will bring it up at that time.

Mr. LEWIS: I can finish now.

The CHAIRMAN: You can go right ahead, Mr. Lewis.

Mr. LEWIS: You would, no doubt, have the Board of Transport Commissioner's decision on the Dominion report, page 47?

Mr. SINCLAIR: Page 47?

Mr. LEWIS: Yes. Could you work up for us the additional costs which you say are not included in that analysis of the variable cost of the Dominion?

Mr. SINCLAIR: You see, Mr. Lewis, by definition, constant cost has to be arbitrarily dealt with so that all you can do is relate it, for example, to gross ton mile. Now, you take total gross ton miles in revenue serviced. You take your constant cost and then apply the ratio of gross ton mile passenger to total gross ton mile and apply that to the cost of constant cost practice. I know of no other way of treating constant cost. I agreed that it has great deficiency but I know of no other way.

Mr. LEWIS: If one of the characteristics of constant cost is, is it not, Mr. Sinclair, that whether or not you had passenger service they still would all be there?

Mr. SINCLAIR: Yes, this is right. You see, what I am trying to say is that we have not tried any of the passengers.

Mr. LEWIS: Well, you say 25 to 75. Mr. Olson asked you these questions.

Mr. SINCLAIR: Twenty-five. You have to deal specifically but I would say 25 to 30 and 70 to 75, yes.

Mr. LEWIS: Well, what I would like to know, looking at the actual thing before you on page 47, what costs are you talking about that are not included?

Mr. SINCLAIR: There is the costs that don't vary with traffic over the long term.

Mr. LEWIS: That is a definition of constant cost, Mr. Sinclair. Do you mind saying which cost you are talking about?

Mr. SINCLAIR: Let me give you, for instance—

Mr. LEWIS: If you can't do that, give me a list?

Mr. SINCLAIR: A list?

Mr. LEWIS: Yes. Use a list of the variable costs. What's so difficult about giving us a list of the constant cost? Don't allocate them. Just title them.

Mr. SINCLAIR: Oh, all right. That is why I am saying you can't allocate them.

Mr. LEWIS: Just give us a list.

The CHAIRMAN: It is 1 o'clock. We adjourn at one. I just want to bring up the fact that there is a motion to reconvene at 3:30, but I think we should discuss right now if we are going to go from 3:30 to 6, and I think the committee perhaps could make a decision now as to proceeding from 8 to 10 this evening and perhaps we can try to finish up preliminary examinations of the C.P.R. officials. I will just put it to the committee. Shall we have a motion to this effect?

Mr. BELL (*Saint John-Albert*): I think we should try and finish up the C.P.R. today, particularly in view of the fact that they probably will be recalled. There has been a discussion and agreement that, if necessary, they could be recalled.

The CHAIRMAN: Moved by Mr. McIntosh, seconded by Mr. Rapp that we reconvene 3:30 to 6 and 8 to 10.

AFTERNOON SITTING

TUESDAY, March 8, 1966.

The CHAIRMAN: Gentlemen, we have a quorum.

Mr. Lewis was in the process of finalizing his questioning. He had asked Mr. Sinclair for some information, and I am informed by Mr. Sinclair that he has an answer to one of your questions, Mr. Lewis. Mr. Horner will then be the next questioner.

Mr. SINCLAIR: Mr. Lewis referred to page 47 of the judgment in "The Dominion" case before the Board of Transport Commissioners. Looking at the items listed on page 47 of that judgment, he asked us to indicate and list those items that would be variable.

Mr. LEWIS: I asked for the items that would be constant.

Mr. SINCLAIR: The items "that would have a significant element of constant cost", I am sorry, Mr. Lewis.

The first one is yard switching: the constant in that expense account would be the cost of idle time of yard switching locomotives and their related crews. The constant would be money for yard switching locomotives, wages and expenses of yard masters and their clerks, yard signals and interlock supply. Then there are stations.

Mr. LEWIS: There is an item for yard switching on 47 now.

Mr. SINCLAIR: That is what I am saying. In the yard switching account the items I have given you would be constant. But this would be in addition to the amount that is shown as variable.

Mr. LEWIS: What would be represented by yard switching that is variable?

Mr. SINCLAIR: The actual movement of yard locomotives, moving passenger cars in the stations, setting up and breaking up trains. You will recall that I mentioned the idle time. But you see, there is a certain amount of idle time which arises through waiting for trains or waiting for clearing lines, and one thing and another. That is held as constant.

Under the heading of stations, there is a portion allotted for the station employees; that is the minimum crew. Say, for example, we have a station open for eight hours; that needs an operator. No matter whether there is a passenger train or not, that operator would be there so long as the station is an open station. That operator's station benefits would be constant. That would be under the heading of station.

Then we come to other transportation, under which we would have signal operations, crossing protection—

Mr. LEWIS: What do you now charge under the heading of station on page 47?

Mr. SINCLAIR: The cost of, for instance, a clerk at the station to sell tickets and someone to clean up the waiting room for station passengers, to clean the washroom and so on.

Mr. LEWIS: Do you not have to do a little better than that before you can get \$425,000 a year?

Mr. SINCLAIR: After all, there are quite a few people and quite a few stations that are open, and they are equipped to handle the passengers. The station expense in quite a few places is high because the trains move in at different periods of the day; many of them are double shifted.

● (3:40 p.m.)

These are primary accounts. I thought you were asking me to give you some elements of constant cost that were in these accounts which are maintained in accordance with the Board of Transport Commissioners' classification of accounts.

Mr. LEWIS: I am trying to understand you, though. This statement takes in "The Dominion", "The Canadian" and, if it is in Montreal, it takes in the commuter trains; it takes all the freight trains and —

Mr. SINCLAIR: No, no; the freight trains do not go into Windsor station.

Mr. LEWIS: It takes in all these trains, and it takes in express and that kind of thing.

Mr. SINCLAIR: Well, express? Some head-in cars do.

Someone has just handed me a note which gives the total expense in stations in 1964 in our primary accounts. That is for all station expenses. The Figure is \$37 million. Therefore, the proportion—and it is variable—applicable to "The Dominion" is \$425,000 out of \$37 million.

Mr. LEWIS: The \$37 million includes the constant as well as the variable?

Mr. SINCLAIR: I would think so; it is everything in the station expense account maintained by the classification.

Mr. LEWIS: Including the buildings and maintenance of the building and anything connected with it?

Mr. SINCLAIR: No, no; this is staff—station staff. Buildings are in another primary account under the classification.

Mr. LEWIS: Are they under building structures?

Mr. SINCLAIR: Yes.

Mr. LEWIS: And \$37 million just covers staff in all the stations?

Mr. SINCLAIR: Yes, and some supplies which they use.

Mr. LEWIS: And equipment?

Mr. SINCLAIR: Yes, equipment also, I suppose, such as a typewriter. Shall I go on?

Mr. LEWIS: Yes.

Mr. SINCLAIR: Then there is the heading of other transportation under which we have such items as signal operation, crossing protection, drawbridge operation, some superintendents, some stationery, insurance and items of that kind.

Then we come to road maintenance. This was touched upon by Mr. Fawcett. But this is for removing snow, ice and sand from tracks—tracks that are jointly used. This would not cover the expense of removing snow from platforms used by passengers. Then we have fences, snowsheds and signs, other structures, and dismantling retired road property.

On road, the constant costs are about 67 per cent. Thirty-three per cent approximately is variable—it is 33 per cent to 67 per cent.

Mr. LEWIS: I should know, but can you tell me with regard to road maintenance whether that is the maintenance of your entire track system.

Mr. SINCLAIR: Yes, a large part of it, two-thirds, is constant.

Mr. LEWIS: Property taxes would be another example of the constant factor?

Mr. SINCLAIR: A small part of the property taxes, of course, would be variable. You recognize that all our accounts are maintained in accordance with the directive and classification that was evolved after long hearings and which is prescribed by the Board of Transport Commissioners. It is a whole book.

Mr. LEWIS: Do you say my time is up, Mr. Chairman? I have one or two more questions.

The CHAIRMAN: I think so. I can come back to you later on.

Mr. HORNER (*Acadia*): Mr. Sinclair, I asked you some time ago if you could give us some idea of "The Canadian" and "The Dominion" and at what percentages they ran. Have you been able to ascertain a general figure with which we can work?

Mr. SINCLAIR: I guess you were not here, but after you asked that the next time I was here I put that information on record. I found that by looking at the judgment of the Board of Transport Commissioners, and I asked to have it copied into the record. I refer to page 71 of that judgment, Mr. Horner. It shows in the summer as running from 71 to 81 on various segments, and in November and the winter months, from a low of 42 to a high of 56.

Mr. HORNER (*Acadia*): Is that on "The Dominion" or "The Canadian"?

Mr. SINCLAIR: It was "The Canadian" for which you asked.

Mr. HORNER (*Acadia*): Did you say 42 to 56?

Mr. SINCLAIR: Yes, in the winter months, and the month of November in which the study was made; and in the summer it was 71—that is in July—71 to 81.

Mr. HORNER (*Acadia*): You say "The Canadian" is losing money. What percentage of occupancy would you need in order to break even?

Mr. SINCLAIR: I gave that answer the other day too, Mr. Horner. I said that at the fare levels in existence under the fare saver plan you would have to have seats on the roof.

Mr. HORNER (*Acadia*): Yes, I heard that answer.

Mr. SINCLAIR: That is a fact.

Mr. HORNER (*Acadia*): All right, I will accept it as a fact. Then we will go back to your definition of effective demand. "The Canadian" is not now providing effective demand. Am I right in saying that? In your definition of effective demand, income must meet expenditure? This is my understanding.

Mr. SINCLAIR: Of course, as I told the committee earlier, Mr. Chairman, we introduced these experimental very low fares in the fall of 1963. We demonstrated that they were not proper fares. It is quite obvious that you can attract people to trains if you put the fares down to such an extent that they are ridiculously low in the light of the service offered. This is the situation we have experienced. But we have been adjusting these fares upwards. In doing it, as I said earlier today I think in answer to Mr. McIntosh, it is empirical. I say again—and I am sorry to repeat—that we have not, or at least I have not, lost faith in the possibility that we can make "The Canadian" a viable train, but this will require fare adjustments and reduction of expenses.

Mr. HORNER (*Acadia*): Could you give—or you may have already given the committee when I was not here—the reason why it was difficult to obtain a reservation on "The Canadian" during the spring or summer months, east or west.

Mr. SINCLAIR: I know that seasonal demand is causing some of the problems. I know we have tried to check on this matter and have found the specifics of the situation, as they were given to us when we checked them, to be

that people wanted specific space on specific days. We found there was alternative space on different days. We found that it was on a specific day that there was a demand, and that there was space available on the days on both sides of that particular day. Or we found that perhaps the space they wanted might be available, let us say, from Winnipeg to Calgary but not from Winnipeg to Fort William. The various checks we have made have indicated that there was space on the trains.

Mr. HORNER (*Acadia*): I am not going to continue my questioning on this but I will tell you that the last time my wife travelled on "The Dominion" she had to stay up all night because her space was sold to someone else. However, that was a number of years ago. You do run into space problems, I know, but I will not continue on that.

Mr. SINCLAIR: No matter how hard we try, every transportation system runs into the problem now and again of duplicate sales. I think our employees are very conscious of this and they have been trying to overcome it. We are trying to stamp it out.

Mr. HORNER (*Acadia*): Let us suppose "The Canadian" continues to lose money and, despite your best efforts to increase fares and to give better accommodation and better service, and so on and so forth, it continues to lose money. Would it then cease to be effective or to fulfil your definition of the necessity that there be effective demand for it?

Mr. SINCLAIR: What I have said, Mr. Horner, is that once you get into that position you have a different problem and, as I tried to explain a couple of days ago or three days ago, you now have a problem similar to the one referred to and quoted in our brief, and referred to by the Hon. Duff Roblin and dealt with by the MacPherson Royal Commission; that is the problem whether the service is needed, and, if it is needed in the national interest, the position of the government of the province of Manitoba and others—not just Manitoba, but others too. The findings of the Royal Commission were that that was a problem to be dealt with on the national interest criterion.

● (3:50 p.m.)

Mr. HORNER (*Acadia*): With regard to the national interest criterion and the statement made by Duff Roblin and particularly the statement made by Mr. Pickersgill, does the Canadian Pacific Railway feel any obligation, because of the 1880 agreement and the Railway Act, to fulfil the conditions of what we might call their vested interests?

Mr. SINCLAIR: I do not know your definition of vested interest, Mr. Horner, but what the Canadian Pacific received it earned pursuant to contract; and it carries out and it has carried out its obligations under the law, and will continue to do so, including its obligations under the Railway Act, which I said earlier to Mr. Bell today is incorporated by reference into our charter.

As Mr. Pickersgill has said, the point you make has been considered; it has been brought forward. However, no one who has considered it or who has given it serious thought has gone along with it. This kind of contention has been advanced time without number, and every time it has been refuted. That is why Mr. Pickersgill—or I think that is why—said, and I quote:

And no serious person who has studied this question has ever suggested that it should be done in this way.

I think he was talking from the experience of royal commissions going back a good many years—the Turgeon Commission, the MacPherson Commission and others, and of course the Board of Transport Commissioners appraisal, investigations and so on. That is what he had in mind. He also had in mind the writings of economists on this subject.

MR. HORNER (*Acadia*): You people, the management of Canadian Pacific Railway, do accept the fact that you have an obligation to give some sort of passenger service to the general public of Canada? Am I generalizing too much or am I right?

MR. SINCLAIR: I think you must be precise here, Mr. Horner. I am sorry that I have to keep pressing this point upon you, but you must be precise.

MR. HORNER (*Acadia*): I am just trying to ascertain how big is your obligation in your mind. Does it hang heavy on your heart or does it rest lightly on your shoulders? This is what I am trying to ascertain.

MR. SINCLAIR: You are trying to ascertain whether it hangs heavy or bounces light, or whatever the metaphor was? We have an obligation under the law "to provide suitable and adequate service in the light of all proper interests." I cannot do better than that. That is the charter.

MR. HORNER (*Acadia*): Let us qualify the phrase "in the light of all proper interests." Would you consider that the whole Canadian Pacific Railway should fall within the light of proper interests?

MR. SINCLAIR: That has been gone into over and over again by the Turgeon Commission, the MacPherson Commission, the Board, the Canadian Privy Council: it has been dealt with times without number. The answer is no.

MR. HORNER (*Acadia*): You would not hold it against us if we brought it up again, would you? If all of these people have raised it, it must merit raising again and we must be justified in raising it again, must we not?

MR. SINCLAIR: I have said that these people have raised it and that these people refuted it. You have always people who are pleading a case, Mr. Horner: some of them have been in this room and some of them are in this room, and they still plead a case.

MR. LEWIS: And they have not changed their minds, Mr. Sinclair.

MR. SINCLAIR: I know lawyers who never change their minds, Mr. Lewis—

MR. LEWIS: And I have not changed mine.

MR. SINCLAIR: —no matter what the judge says, Mr. Lewis!

MR. LEWIS: That is right—this particular judge.

MR. HORNER (*Acadia*): To carry this obligation factor one step further, would you say any of the other interests of the Canadian Pacific Railway Company feel in any way obligated to serve the Canadian public in the manner in which they are doing business? For example, are Marathon Realty obligated to bear in mind the public at all in their realty transactions?

MR. SINCLAIR: Let me say, Mr. Horner, that I think any Canadian corporation—I repeat, any Canadian corporation, and that is one that has been brought into being under the laws of the government of Canada or the Parliament of Canada—has four interests which it must serve. I will give you these interests not necessarily in their order of importance. It must serve the employees, the

shareholders, the people they serve, and the community in which they live—those four. I think that is an obligation of any and every Canadian corporation.

Mr. HORNER (*Acadia*): Well, there is plenty of evidence that Marathon Realities, for example, has been pretty rough in its land dealings with a number of people; but I am not going to deal with that now.

I want to find out how large you feel is your obligation. I wish you would make a statement with regard to this because all the facts before us show that the judgment even to continue "The Dominion" service in the summertime was not answered by the Board of Transport Commissioners. The difficulty with "The Canadian" is to get reservations. Despite what Mr. Crump said before the committee to the effect that transportation is still the basic principle of Canadian Pacific Railway and is still their mainstay and so on and so forth, we notice that in recent years they have been divesting their interest at a rapid rate and making a handsome profit in some of their investments. How far does the obligation go? Does it carry right over? Or are you slowly, with the progress of time, narrowing the point on which your obligation rests until there is no obligation at all.

Mr. SINCLAIR: No, no, Mr. Horner. What Canadian Pacific has is a transportation complex, and it has other interests. It has had other interests, as Mr. Crump pointed out, since its inception. Each of these other interests is developed and operated within the community in which that company operates, and it is our policy in Canadian Pacific Railway to have it live up to the four criteria I have mentioned.

I certainly do not agree that the users of railway transportation should pay the losses that we have suffered on the airline, or that because we run into a lot of dry holes they should pay form them to enable us to drill more wells.

Mr. HORNER (*Acadia*): If you have no obligation to the people of Canada to explore for gas and minerals, and you have not—

Mr. SINCLAIR: I think our obligation, Mr. Horner, as I have said before, is to provide adequate, suitable transportation in the light of all proper interests; and I think we have carried out that obligation.

Mr. HORNER (*Acadia*): And five years from now you could come back before this same committee with the same story with regard to dropping "The Canadian". Am I right?

Mr. SINCLAIR: I certainly hope you are wrong, Mr. Horner, but I do not know what is going to happen in five years. Certainly we will give "The Canadian" a really good try. We have put a lot of money into it, Mr. Horner, and we are rather proud of it. We still think there is no railway equipment which is the equal of it. We think there is no better train anywhere in the world. Maybe people who seem to be somewhat critical of it have not suffered the disabilities of riding on others

Mr. HORNER (*Acadia*): All that you have said about "The Canadian" certainly was not true about "The Dominion". Your equipment was poor, your service was poor, and instead of the service being improved, it was diminished.

Mr. SINCLAIR: Mr. Horner, I can remember riding "The Dominion" when it had very good equipment. I can remember when they had certain dome cars on "The Dominion", and I can remember when there were only a handful of people on it.

Mr. HORNER (*Acadia*): Not in the summer months.

Mr. SINCLAIR: Well, Mr. Horner, you cannot maintain equipment to be run for only two or three months a year. I have heard people ask why there are not more aircraft put into service out of Vancouver for eastern Canada in July and August. The answer is that unless you can utilize them for the rest of the year you cannot afford to carry them for the rest of the year. No corporation, no matter who runs it, can take care of all peaks.

Mr. HORNER (*Acadia*): I do not expect you to do that.

Mr. SINCLAIR: One just cannot do it. Just try to get on buses, for example, in Montreal on a day when there is a snowstorm. It may take you five hours to get home.

Mr. HORNER (*Acadia*): I do feel you have an obligation to the people of Canada to maintain a passenger system.

Mr. SINCLAIR: I say we have an obligation to provide adequate, suitable accommodation in the light of all proper interests. We intend to carry out that obligation. We have done so. If we do not, there are many who are quick to draw it to our attention. The law is there. There is an appeal even from the Board to the Privy Council, the Canadian Privy Council, in their judicial capacity.

● (4:00 p.m.)

Mr. HORNER (*Acadia*): You did say all passenger trains follow a pattern of diminishing service and then you get diminishing returns at a rapid rate, and then an application to abandon the service of the line.

Mr. SINCLAIR: I do not think so.

Mr. HORNER (*Acadia*): It certainly is so in the case of "The Dominion".

Mr. SINCLAIR: Let me give an example. I can still hear a gentleman here this morning saying these commuter trains should come off because they are in a loss position. We took the position at that time that we believed these were going to be all right. We have to adjust various things. We did so. As I have said to you, they are meeting their variable costs, plus.

Mr. HORNER (*Acadia*): But you did make adjustments to make them pay.

Mr. SINCLAIR: We made adjustments by increasing fares, by getting better utilization out of our equipment, and using better equipment in certain areas.

Mr. HORNER (*Acadia*): This is the point I am making—fewer crews on some of the trains. This is the point that I am trying to make with regard to "The Dominion" service. There was no effort made to improve the service or to bring better equipment to it; there was a diminishing effort.

Mr. SINCLAIR: No, Mr. Horner, your memory is short—or perhaps you have not been studying the problem very long.

Mr. HORNER (*Acadia*): I have been riding "The Dominion" on and off for the last eight years. I have had a pretty good look at it.

Mr. SINCLAIR: I can tell you that a very real effort was made to make that train viable in the '50s before we tried to reduce the consist or the demand for it in the service. It did not include losing money. Its loss increased tremendously from 1960 on.

Mr. HORNER (*Acadia*): Did you not lose money in the '50s?

Mr. SINCLAIR: On "The Dominion"?

Mr. HORNER (*Acadia*): You did not give us the loss; you gave us the general loss.

Mr. SINCLAIR: I am quite sure "The Dominion" did not make money in the '50s.

Mr. HORNER (*Acadia*): Well, I will accept that, but it never lost money during the '50s to the extent that it lost it during the '60s.

Mr. SINCLAIR: I would not be too sure about that, Mr. Horner. I think it was the first day I was here in answer to a question that I said that if the Canadian Pacific had not adjusted its service to the changing demand the loss, instead of being what it was in 1965 might have been say three times, plus, higher than it was—that \$24 million. You have to remember, Mr. Horner, when you are using 1960 as a base, the costs have increased very substantially. Wage rates have gone up and material prices have gone up very substantially on any kind of a percentage basis, or on a productivity basis or any other kind of basis.

Mr. HORNER (*Acadia*): You have automated in many other ways to meet wage costs. What I am saying is that you did not automate to meet increased wage costs in "The Dominion" service; you cut the service.

Mr. SINCLAIR: We certainly tried, Mr. Horner. I can remember one instance in which we were trying to meet automation in regard to wage costs in a certain issue and it took us—how long did it take us? It must have taken us about a year and a couple of strikes.

Mr. HORNER (*Acadia*): I would like to ask Mr. Sinclair to present at some time to the committee the figures of the losses for "The Dominion" train service during the '50s, with particular notation as to when they ceased carrying the mail.

Mr. SINCLAIR: I can give you that, Mr. Horner. The mail went off in June, 1965.

Mr. HORNER (*Acadia*): Was this the first and the only kind of mail service on the Dominion?

Mr. SINCLAIR: Well, there may have been an earlier one. There are two types and they are what we call the working cars and the closed cars. But, the mail went off the Dominion in June, 1965, and all mail then was gone.

Mr. HORNER (*Acadia*): I am disputing this one clause in your brief, which says—

Mr. SINCLAIR: Mr. Horner, could I have the page of the brief or, if you are using the summary could I have the paragraph?

Mr. HORNER (*Acadia*): It is either 18 or 19. Anyway, you do maintain in here that you do provide an effective service, and that it was a false rumour that the use of the service diminished first. What I am saying is that the service diminished first and then the passengers.

Mr. SINCLAIR: You see, Mr. Horner, the Royal Commission, after considering it for over a year and travelling back and forth across the country, made a statement, and I quoted it. The railroad was accused of deserting communities by withdrawing passenger train service when a more objective approach to use would be that the community deserted the passenger train service.

Mr. HORNER (*Acadia*): I was referring to paragraph 32 in the summary.

MR. SINCLAIR: Well, I still say, Mr. Horner, that we have tried to expand on this at page 21 of our main brief. But, you are referring to the summary. It is sometimes difficult to get across one's thoughts completely in a summary but we worked pretty hard on that summary, and I think it expresses our view all right.

MR. HORNER (*Acadia*): I do not doubt but that you put your best effort into this summary; you are an industrious person.

MR. SINCLAIR: I am not an industrious person; I am lazy, and that is one of my problems.

MR. HORNER (*Acadia*): But, this is a conclusion you have drawn, and the very evidence which was presented to the committee disputes paragraph 32.

MR. SINCLAIR: Well, Mr. Horner, that is why I made that reference. It is not only the conclusion we have drawn but the conclusion which independent tribunals, after spending a year, have drawn. This is a conclusion drawn by expert witnesses called by the various provinces, including Dr. Hu Harries, on behalf of your province.

MR. HORNER (*Acadia*): Yes, I know him.

MR. SINCLAIR: Then there was Dr. Williams. We set all of them out for you. You say that we drew the wrong conclusions; but, these are the conclusions of serious students who have spent not a few days, not a few weeks, but years on this matter.

MR. HORNER (*Acadia*): Dr. Hu Harries and Mr. Roblin drew that conclusion but not particularly with regard to the Dominion service; this was an overall conclusion which they drew with regard to railroad passenger service generally. But, in paragraph 32 you are dealing only with the Dominion.

MR. SINCLAIR: Dr. Hu Harries states that this was carried on for the convenience of a few people who are not prepared to pay what the service is worth and, if that is the case, if a service is not paying for itself, let us do away with the service. Then, there was the evidence of the leading economist, who was called by the provincial government of Alberta; another one called by the provinces of Alberta and Manitoba jointly, namely Dr. Williams—and there is more of this kind of evidence.

MR. HORNER (*Acadia*): Let us go back and determine what part of the work you are responsible for.

MR. McINTOSH: Mr. Chairman, if I could put a supplementary question. I would like to know if Mr. Sinclair will apply the same statement he made to the post office service.

● (4:10 p.m.)

MR. SINCLAIR: I can say that I know the post office service has suggested rates on parcel post because of cost.

MR. McINTOSH: But I am referring to the discontinued service in parts of Canada.

MR. SINCLAIR: Well, if I may say so, where I lived we used to get mail twice a day, and I think it was Lord Asquith that said mail should be delivered seven days a week—and, you know how long ago he lived. But, they discontinued some services, yes.

Mr. HORNER (*Acadia*): I want to know how much the service is worth and what your obligation is in this respect. Now, if you determine it solely on the service worth and whether or not the costs are covered then the Canadian also will be scrapped.

Mr. SINCLAIR: Mr. Horner, I can only say to you, once again, that what is set out in this brief are the views of experienced people who have given a great deal of time to this study. They took this position and they took it, I think, for a very basic and sound reason, namely—

Mr. HORNER (*Acadia*): Well, to apply that same reason—

The CHAIRMAN: If I may interrupt, Mr. Horner, would you mind allowing Mr. Sinclair to finish his statement?

Mr. SINCLAIR: And, if you do not apply that criteria as set out here by Dr. Hu Harries, Dr. Williams and Mr. Duff Roblin, the Minister of Transport, Mr. Pickersgill, you are going to resolve yourself into making a misallocation of resources, and the only justification for that is whether there is a transcending national interest.

Mr. HORNER (*Acadia*): Let us apply this criterion to the Canadian; does not the same apply there? Does the national interest have an effect on the Canadian but not on the Dominion? That is what I am trying to find out.

Mr. SINCLAIR: Well, as of what date in the future are you referring to? You see, the question of taking off the Canadian is not relevant at this time because we say we still think that we can make this train viable. But, if we feel, in the future, that because of costs—

Mr. HORNER (*Acadia*): If I could interrupt, for how many years has the Canadian been losing money; what years did it break even, and so on?

Mr. SINCLAIR: I do not know.

Mr. HORNER (*Acadia*): Perhaps the committee should have that information sometime in the future.

Mr. SINCLAIR: Well, I could be making calculations forever. I would ask you to allow me to finish my comment. You asked me whether there was a national interest in running the Canadian. Now, that depends on such items as adequate alternative transportation; that depends on the need for a connection between various parts of this country—for example, there are no roads between White River and Sudbury at this time. But, you do have to remember that the Trans-Canada Highway is right outside the railway fence of Canadian Pacific and it runs for miles and miles right across this country. We are in a much different position than the C.N.R. But, as I said, in that area there is no road and I would think in the national interest rail transportation could well be regarded in that area. How else are you going to move? But, on the other hand, there are very very few people in that area, which creates a problem.

Mr. HORNER (*Acadia*): I agree that we should be very concerned about such areas. However, we may be very close to closing off such areas.

Mr. SINCLAIR: I do not think so. But, there may be other areas and, Mr. Horner, if you do not mind me saying so, I think we should deal in specifics.

As I said, if, unfortunately, some years down the road because of things over which we have no control and you have no control we might find ourselves faced with a problem such as has been set forth and then you will have to turn your minds to the question: Does the national interest require this? Then, you

will have to decide that question in the light of conditions that then exist. But, in my opinion, you cannot project at this time.

Mr. HORNER (*Acadia*): Could we also ascertain the degree of obligation which the Canadian Pacific has to maintain a service, whether or not it is paying its way?

Mr. SINCLAIR: I do not know; I can only repeat to you again that there is a contract, and there is the law. This matter has been gone into more than once—and judicially gone into, if I might add; and a judgment rendered.

The CHAIRMAN: Would you proceed now, Mr. Rock.

Mr. ROCK: Mr. Sinclair, you mentioned certain computer services do meet variable costs and I would like to know if this includes the Lakeshore service in the Montreal area.

Mr. SINCLAIR: Yes, and that is the only computer service we have.

Mr. ROCK: Maybe I do not have the right to put my next question but I will put it indirectly and perhaps I will obtain an answer.

Mr. SINCLAIR: Well, that is your warning, Mr. Chairman.

Mr. ROCK: Does the discontinuance of the Saguenay summer cruise have any effect on your train service—and, when I say that, I am referring to passenger service during the summer season, when western people took the Canadian Pacific to Montreal and then transferred onto the Saguenay boats or, in the alternative, went to the Chateau Frontenac in Quebec City and then transferred, took the Saguenay cruise, returned, and then boarded the trains. Does this have any effect on you?

Mr. SINCLAIR: I would say no. The big movement on Canadian Steamship Lines' Saguenay cruise consisted of Americans, who come into Montreal by train and then transferred over to the ship or, alternatively, as a large number do, they went by automobile into Quebec city and boarded the steamer there, went down the St. Lawrence and up the Saguenay. But, Canadian Steamship Lines ran that service, not the Canadian Pacific.

The CHAIRMAN: If those are all the questions you have Mr. Rock, I will now proceed to Mr. Allmand.

Mr. ALLMAND: Mr. Chairman, I am referring to page 7, paragraph 28 of the summary, where it says:

Some proposed reductions are at present before the board.

I would like to ask Mr. Emerson or Mr. Sinclair to tell us exactly what these proposed reductions are which are presently before the board which, I presume, relate to the elimination of railway passenger service.

Mr. EMERSON: Yes, I will do that. We have before the board the following reductions in service.

Mr. ALLMAND: And these are reductions which will reduce the service.

Mr. EMERSON: These have been heard by the board and we are waiting judgment. There is the Montreal to Megantic run, which is a daily R.D.C., service, which means railroad diesel car, and this is a service in both directions; from Montreal to Ottawa on the North Shore, again an R.D.C. service, one daily in each direction and one on Saturday.

Then, I will deal with applications made to the board in which hearings have not been held to date: Between Winnipeg and Emerson, a daily train in

each direction—I may say this is a locomotive hauled train and connects with the Sault line from Minneapolis, and this line has made an application to the authorities in the United States; between Sherbrooke and Quebec on the Quebec Central Railway, an R.D.C. service daily.

Then, we have various other trains in service, in fact, for which reductions were proposed but which are under suspension by the board, and I can give you particulars of these if you so desire.

Mr. ALLMAND: Perhaps you could do that later. You also mention in the same paragraph that others are under study by the company; in other words, other reductions of passenger services are under study. Would you mind telling me what these are?

Mr. EMERSON: That is correct. We are referring to the run between Montreal and Mont Laurier, and R.D.C. service, which operates three days per week and southbound on Sunday; between Victoria and Courtenay on the E. & N. Railway on Vancouver Island, an R.D.C. service which operates daily except Sunday in each direction; between Toronto and Owen Sound, an R.D.C. service which operates three days per week in each direction, and between Sudbury and Sault Ste. Marie, an R.D.C. service which operates daily in each direction—and, in this connection, I should say that the schedule was just recently changed.

● (4:20 p.m.)

Mr. ALLMAND: In respect of any of these lines for which you have requested a reduction in service or are proposing to ask for a reduction in service would these reductions eliminate passenger service on these lines altogether?

Mr. EMERSON: In some instances, yes, and in some instances, no.

Mr. ALLMAND: Could you tell me the instances in which there would be no longer any passenger service between points on this line?

Mr. EMERSON: Between Winnipeg and Emerson.

Mr. ALLMAND: I thought you said this would be replaced by the Sault line.

Mr. EMERSON: No; I said that service connected with the Sault line at the United States border, and the Sault line operates the train on to Minneapolis and back. Then, to continue, between Sherbrooke and Quebec on the Quebec Central Railway; between Medicine Hat and Lethbridge, an R.D.C. service which operates daily in each direction, and that is one of the services that is under suspension by the board.

Mr. ALLMAND: Now, in respect of all these cases where you have considered asking for a reduction or where you already have put your case before the board, has your criterion always been that there is no longer any effective demand, according to your definition of it, for this particular passenger service?

Mr. EMERSON: I think that is correct; in other words, the expense of operating the service exceeded the revenue that could be earned by it. Also, I should say that in these instances there are alternative transportation facilities available and, therefore, no national overriding interest required for the continuance of the service.

Mr. ALLMAND: But, when you make an application to the board you consider the effective demand, and it is up to the board to consider, in making their decision, whether there is an alternative service. But, as I said, when the

Canadian Pacific makes a request to drop a service they are not considering anything else other than effective demand.

Mr. EMERSON: No, that is not right. We furnish the board with information as to what alternative transportation facilities are available.

Mr. ALLMAND: Now, I want to pursue a line of questioning with respect to the Canadian. I know some of these questions have been asked but I have not been altogether satisfied with the answers. It says in this same paragraph that it is apparent that the Canadian will be operated for years. However, that is not apparent to many of us. It would seem, now the evidence brought forward in this committee, that it is possible the Canadian could be discontinued if there is no longer an effective demand. Mr. Sinclair said they are going to make a hard go at it to try and sell this train, but from everything I have read and the answers given to certain questions if there is no effective demand you will make an application to the board to have this train eliminated. Now, Mr. Sinclair said, and he keeps saying: "Then we will have to consider the national interest". The question I am putting is this: Is he telling us that the Canadian Pacific will consider the national interest before they apply or will they consider only the effective demand?

Mr. SINCLAIR: Perhaps I should answer that question.

Mr. ALLMAND: If you would, please.

Mr. SINCLAIR: Well, you see, Mr. Allmand, both the present government and the one preceding it introduced a bill and, in there, the national interest of passenger service was spelled out. What was set out in those bills, at least in part, was as a result of the MacPherson report. The speech from the Throne indicated that that legislation would be introduced at this session.

Mr. ALLMAND: In other words, it would be Parliament who would consider the national interest and not the Canadian Pacific?

Mr. SINCLAIR: Not the Canadian Pacific; but, what would happen would be that we would appear before a tribunal and they would consider the national interest aspect of it, and they might say: "The national interest dictates that this service should continue".

Mr. ALLMAND: I realize that. It appears to me that as long as it is clear to the Canadian Pacific that there is no longer an effective demand, according to your calculations, you will apply to the board to have this service reduced or eliminated?

Mr. SINCLAIR: No.

Mr. ALLMAND: In other words, you will not sit back in your office and say: "Now, what is the national interest in this connection?"

Mr. SINCLAIR: No, but you see, Mr. Allmand, what you do not seem to understand and what I am trying to get across to you is that we recognize the criterion of the Board of Transport Commissioners: it is set out in section 315 of the Railway Act, and that relates to the balance. You first meet that criterion, the balancing of the cost to the company against the public convenience and necessity. We know that criterion and we know from experience how it is applied. Now, assuming that we are in the position that we feel we can meet that criterion, and we have evidence to indicate that there is no balance of the scales forward the elimination of the train then at that period, in the light of

this additional legislation, if and when it comes through—and assuming it does come through—there arises another question, which never has been a part of our law up until now, namely: When does the national interest factor come into it? And, as I say, the Royal Commission on that legislation is restricted in the views of people like Mr. Roblin as well as others.

Mr. ALLMAND: You have said that you would apply for the abandonment of the Canadian when you feel, perhaps, according to the criterion, that you have good cause to present your case before the board. Is that correct?

Mr. SINCLAIR: Yes, depending on what the law is at that time.

Mr. ALLMAND: Yes, of course. But, do you design your policies in the passenger service so that perhaps you could get rid of your train; in other words, so your case will come within the scope of the criterion.

Mr. SINCLAIR: Absolutely not.

Mr. ALLMAND: And, you can guarantee that to the members of this committee?

Mr. SINCLAIR: I sure can.

Mr. ALLMAND: I mentioned this only because there have been accusations. It would seem in some cases that your service has been dropped and then the demand fell, which brought your case within the criterion of the board.

Mr. SINCLAIR: No. I can guarantee that it is not the policy of the Canadian Pacific as stated by Mr. Crump and Mr. Emerson, and I am prepared to state it too. That is not our policy.

● (4:30 p.m.)

Mr. SHERMAN: Mr. Chairman, I have a supplementary question. Mr. Sinclair, it may not be the policy but could it not just happen, without it being a policy, that a dry rot would set in and the Canadian Pacific did not do anything to try to stem the tide before it reached the point of no return?

Mr. SINCLAIR: Well, I could take the inference from what you are saying that I am rotting to pieces and allowing the railway to fall apart; that is not so and, even if it is so, you are not going to get a "yes" from me.

The CHAIRMAN: Are you finished with your questioning, Mr. Allmand?

Mr. ALLMAND: Mr. Chairman, I want to continue this line of questioning. In other parts of your brief you discussed the production or the availability of passenger equipment.

Mr. SINCLAIR: Yes.

Mr. ALLMAND: In your brief, at page 18 and, in particular, in the summary at page 7, paragraph 30, you say:

The availability of passenger car equipment and motive power is an important consideration for the future. Obsolete cars that no longer receive public acceptance must be retired—

—and, this is the important part—

and there can be no justification for the purchase of expensive new equipment, nor for the reconversion of locomotive units from freight to passenger service when requirements for freight service are at a most demanding level.

I think Mr. Crump told us that there is no place now in North America producing passenger equipment. Is that correct?

Mr. SINCLAIR: That is correct. The two large producers of passenger equipment are Pullman Corporation and the Budd Corporation and, I believe, the lighter equipment was being made by Canadian Car. None of these have produced any passenger equipment for seven or eight years. As a matter of fact, the jigs and everything else are pulled out of their plants and have long been gone.

Mr. ALLMAND: In view of this how do you expect the Canadian Pacific to maintain a competitive position in the passenger transportation business in the years to come?

Mr. SINCLAIR: Well, because we bought and we have these seven trains, sets that are only 10 years old, and these were of the most advanced design. There has been no better rail passenger equipment made. We provide preventive maintenance in regard to them and they are in first class shape. As Mr. Crump indicated to you, these can run for many years because there is not an obsolescence factor applying to them as there are in other types of equipment.

Mr. ANDRAS: Did you say "because there is not"?

Mr. SINCLAIR: The obsolescent factor does not apply to it.

Mr. ALLMAND: But, it must be depreciating to some extent, even if it is good equipment.

Mr. SINCLAIR: Certainly it does. I think the Board of Transport Commissioners authorized a depreciation on rail passenger equipment over something like 23 or 24 years.

Mr. ALLMAND: But the thing is that as the years go by the equipment is going to be less new, even though it is in good condition, with the result that it is going to be less competitive with the newer types of air transport, which are being produced year after year. We note that the airlines are obtaining new and better aircraft all the time, with better services, newer interiors, more comfortable seats, beautiful stewardesses and so forth. You are going to have to compete with this movement of traffic with a 10 year old train, and in 10 years your equipment will be 20 years old. What will happen after that?

Mr. SINCLAIR: Well, I know in South America they are running a service with a Ford-Tri Motor, and that must be a good 30 years old. The D.C.3's are still providing first line service in a number of areas in Canada, and they are over 20 years old. The D.C. 6B and the D.C. 7's are at least 12 or 15 years old, and these aircraft are still providing first line service.

Mr. ALLMAND: But, the competition in Canada is with airlines which have a lot of new equipment.

Mr. SINCLAIR: They have all kinds of equipment. For instance, they are flying between Calgary and Edmonton with D.C.4's, and that is the North Star by a different name.

Mr. ALLMAND: In any case, you have no plans for further investment in passenger services at this time?

Mr. SINCLAIR: What we said is that we have the best equipment that is available and there is no one who has any better equipment on the market. When something better comes along and if we feel it will reduce costs and get

our seats back we will take a look at it. You have to realize that there is a whole industry building railway equipment in the whole of North America and not one has put out new equipment for seven or eight years; that should tell a story in itself.

Mr. ALLMAND: But, on the other hand, I believe they are producing new equipment in Europe.

Mr. SINCLAIR: Well, you mentioned Europe; let us take, for instance, Switzerland.

Mr. ALLMAND: Would you take France, if you do not mind.

Mr. SINCLAIR: Well, in France they have some trains, but they have not anything new in the last seven or eight years.

Mr. CANTELON: They have some sort of a hover craft that runs on a cushion of air.

Mr. SINCLAIR: But that is a very highly expensive piece of equipment to develop, and this is being done by the French National Research Centre. I think the Minstrel is 10 years old, and that is the one that runs to Marseilles. As I said, it is over 10 years old, and that is their blue ribbon service.

Mr. ALLMAND: I want to put one question on the record. Do you have any plans at present for further investment in passenger equipment?

Mr. SINCLAIR: No, we have enough passenger equipment now.

Mr. ALLMAND: So you have no plans for replacing or expansion?

Mr. SINCLAIR: We have got more than we need right now.

Mr. ALLMAND: I want to ask you if there are any circumstances under which you would be willing to continue passenger lines even though there was no effective demand in terms of your definition?

Mr. SINCLAIR: No, because to do so would be a disservice to Canada unless you are face to face with this other problem of superseding the national interest. The answer to that question must necessarily be no because there is no effective demand, and if you continue it without hope of offsetting it, you are bringing about a misallocation of scarce resources.

Mr. ALLMAND: Would you be willing to continue a passenger line for which there was no effective demand if you were given, for example, a profitable air line?

Mr. SINCLAIR: Again, Mr. Allmand, it would be a disservice to misallocate the resources.

Mr. ALLMAND: This is a question of bargaining. The C.P.R. is asking for profitable airlines and, I suppose, they intend to do so in the future.

Mr. SINCLAIR: They have also operated that airline at a loss of \$7 million.

Mr. ALLMAND: But they would like to operate airlines and runs that are profitable, and they have made an application for these. If the government felt there was a national interest in running certain of your passenger trains even though, according to your company, there was no longer an effective demand, would you be willing to run those trains in return for those airlines?

Mr. SINCLAIR: If the Government of Canada passed a law and said that while there is no effective demand, there is no actual need, for a train, we direct the Canadian Pacific to operate it, we would obey the law, of course. However, I

would hope that if there was no national interest criterion superseding effective demand, and the Government of Canada would not make so bad an error as to misallocate scarce resources in manpower and money.

Mr. ALLMAND: But you inserted a term there when you said "if there is no effective demand or actual need".

Mr. SINCLAIR: I was told by a man that there was a need. He rephrased everything.

Mr. ALLMAND: I know but I was not asking the questions then. The thing is that I think you would admit it is either in the national interest or for the needs of Canada that we operate certain passenger transportation lines because there was an effective demand, depending on how you define this, just as we need the post office services, garbage services or education.

Mr. SINCLAIR: I do not think you should draw those parallels.

Mr. ALLMAND: In certain parts of Canada the C.P.R. rail line is the only rail line going through that part of Canada.

Mr. SINCLAIR: Are you asking me if I am in favour of cross-subsidization?

● (4:40 p.m.)

Mr. ALLMAND: I never used that term; I do not know what you mean by that. I am asking you if you would be willing to operate certain passenger lines even though there was no effective demand if you were given other things which were profitable such as air lines.

Mr. SINCLAIR: Then you are into a straight question of cross-subsidization.

Mr. ALLMAND: I did not know what the definition of cross-subsidization was.

Mr. SINCLAIR: This results in a misallocation of resources, and I as a Canadian and every Canadian, should be against a misallocation of scarce resources.

Mr. ALLMAND: It is not necessarily so.

Mr. SINCLAIR: The only way to offset it is by transcending national interest, and if you transcend national interest then, I think, you would be very unwise to get into a cross-subsidization situation.

Would you like to ask Mr. Emerson some questions?

Mr. ALLMAND: I will think a bit about those answers you gave me.

I want to ask some questions about labour costs. I would like to know if you feel you could reduce labour costs through automation and improved technology even more than you have done today, and as a result of this maybe run some of your passenger trains which you now want to eliminate or reduce because of these high costs.

Mr. SINCLAIR: This could be so but I can say this to you, that the application of automation to existing collective agreements, and taking out the redundancy, is a very difficult and long-term process. We can speak from experience.

Mr. ALLMAND: In other words the block that you would have in implementing this would be the trade unions and collective agreements?

Mr. SINCLAIR: There would be the difficulty of collective agreements.

Mr. ANDRAS: I have a supplementary question. How far forward are your efforts at automation in terms of your negotiating discussions with the senior union officials?

Mr. SINCLAIR: In our demands at the present time we have certain applications for run-through lines in freight and run-throughs of crews. Those are two examples that are in the existing negotiations. There are other things further down the road that could be seen.

Mr. ANDRAS: Are you discussing those further things with the union heads at this time, not in connection with immediate contact negotiations but for the future?

Mr. SINCLAIR: No; I would not say we are discussing them. The practice is for the unions to serve demands or, to put it better, is for the unions to advance proposals, which we also do, and to discuss them.

Mr. ANDRAS: But you do not go beyond that stage?

Mr. SINCLAIR: We have also discussions going on in between. It is a progressive sort of thing.

Mr. ALLMAND: You referred to a situation of strikes and bargaining in the fireman's case where you tried to eliminate the firemen from the trains so you could reduce costs. Is that the situation you are referring to?

Mr. SINCLAIR: We proposed the removal of firemen from road and freight diesels because they were redundant.

Mr. ALLMAND: If the people of Canada want a lot of these passenger services, perhaps they will have to accept a lot of this automation and technological improvement which would mean that your labour force on the railways would be reduced. I want to know if you could actually continue a lot of these passenger services if you were able to put into effect labour-saving devices.

Mr. SINCLAIR: I would think passenger services would continue much more quickly. I would give you another factor which would have a more immediate impact where charges would be applied to the competitive modes.

The CHAIRMAN: You have already had half an hour, Mr. Allmand.

Mr. ALLMAND: Just one more question; I have been waiting two days. I want to ask you if you did not consider that passenger trains serve as a form of public relations or advertising for your company as a whole, and did it not have some effect perhaps on your freight business, your airlines business and your hotel business just as a loss leader would in a department or a grocery store. They sell certain things perhaps at a loss.

Mr. SINCLAIR: Do they? I thought that was against the law.

Mr. BELL (*Saint John-Albert*): Better get a combines officer here.

Mr. ALLMAND: I would like to know if you considered it.

Mr. SINCLAIR: Have we considered the railway passenger service as a public relations endeavour of itself?

Mr. ALLMAND: And having some effect on the revenues of all the operations of your company.

Mr. SINCLAIR: We have considered it. Would you like me to tell you what one very outstanding railway president said in the United States? He said, "it is quite a public relations endeavour but I have never met one that is so expensive".

Mr. ALLMAND: Have they ever tried to figure out the results on the revenue?

Mr. SINCLAIR: I have met a lot of industrial traffic managers. I find them to be very much unimpressed except in regard to the efficiency of the service and the rates that are charged for the movement of the goods.

Mr. ALLMAND: In other words, if you had no longer any passenger service and individuals were using the C.N.R. for passenger service, you feel that this would not have any effect on the public directing their freight service to the C.N.R., that they would still just as quickly send their freight through the C.P.R. even though they were not using their passenger service?

Mr. SINCLAIR: We think we have a better air service than Air Canada, but I do not see anyone giving freight business because of that.

Mr. ALLMAND: Have you looked into this?

Mr. SINCLAIR: Certainly we have.

Mr. DEACHMAN: Mr. Chairman, I think most of the questions I had at the beginning were addressed to Mr. Sinclair and were already answered. I will therefore turn to Mr. Emerson and I am sure Mr. Sinclair by now is only too happy to share that.

The questions I have in mind centre around Vancouver and the C.P.R. services there because I represent a Vancouver seat and because, as you know Mr. Emerson, Vancouver is the anchor man in any tug of war with the C.P.R. and if we let go any C.P.R. rail service in Vancouver, that service is in danger of collapsing all across British Columbia and the Prairies. Therefore, the C.P.R., which is a Pacific railway which was built for the purpose of going to the coast and which developed the city of Vancouver, has left us with just about as historic an interest in the C.P.R. as the C.P.R. has itself.

I want to be very precise regarding your application to withdraw the Dominion as to exactly what is left in the city of Vancouver after the Dominion pulls out of town. Can you tell me what passenger services going east will be left out of the city of Vancouver if your application for the removal of the Dominion service is accepted?

Mr. EMERSON: Our application for the removal of the Dominion service was accepted. It has been withdrawn, and the remaining service is the Canadian. When I was out in Vancouver a couple of weeks ago inquiring into these matters no question was raised in all the discussions I had with the press and the public about the loss of the Dominion. There was no interest in it that I could find.

● (4:50 p.m.)

Mr. DEACHMAN: Coming back to the question, what service will be left out of Vancouver after the Dominion is gone? Have you a schedule? Are you able to tell us how many runs a day there will be, how many cars and so on?

Mr. EMERSON: I can give you that. The Canadian eastbound leaves Vancouver each evening. It consists of two diesel unions, an express car, two dormitory baggage cars, three coaches, a diner and seven sleepers.

Mr. DEACHMAN: So that once the Dominion is gone, the rail services of the C.P.R., which you have just described, are the rail services leaving Canada's third largest city'?

Mr. EMERSON: As of tonight and last night and for the past two months.

Mr. DEACHMAN: Let me go into a statement which was made by Mr. Sinclair a moment ago, that you have enough rolling stock now in respect of the Canadian and you do not have plans for the building of any more rolling stock in the foreseeable future, and apparently there are no plans on the drawing board. How long can the people of the city of Vancouver expect to see the Canadian pulling out of the city of Vancouver, or are we on the way to seeing no more C.P.R. trains pulling out of the city of Vancouver with passenger service?

Mr. EMERSON: I am not able to predict just how many more years The Canadian may operate. As has been stated in the submission to this committee, we foresee that it will operate for years to come.

Mr. DEACHMAN: But you do not have any plans on the drawing board for new equipment?

Mr. EMERSON: That is correct.

Mr. DEACHMAN: So this stuff is running down and you are looking upon this as a terminal operation? By that I mean as an operation which will eventually cease and you will no longer be running The Canadian?

Mr. EMERSON: No, I disagree with that. The equipment that is in service on The Canadian is not running down. It is currently repaired and maintained on a progressive schedule wherein the various components of the units of equipment are replaced and restored as they are required. It is at all times kept in good condition. As has already been pointed out, it is relatively new equipment, and on this basis it can be operated for a good many years to come.

Mr. DEACHMAN: Are you able to put that in terms of years? When you built that you must have had a pretty good idea of how long you can expect to operate it, what would be the rate of obsolescence and when you would have to replace it. You must have thought of that when you were building it.

Mr. EMERSON: We did not build it; we bought it. It is stainless steel equipment, it was the first such equipment that we secured, and based on experience in the United States the structural shells of these cars are sound. They are non-corrosive and operatable for many years—how many, I do not know, much longer down the road, I think, than any of us here need to worry about.

Mr. DEACHMAN: After 25 years you would consider a railway car to be a pretty old-fashioned railway car. Would you then be tending to look at new ones in order to keep up the passenger business?

Mr. EMERSON: It would depend on what advancements had been made in the art in the meantime.

Mr. DEACHMAN: Is this an area in which advances have been made?

Mr. EMERSON: Having regard to the fact that in North America virtually no railway passenger equipment is being built at this time, it is hard to see how the art is going to progress.

Mr. DEACHMAN: Let me turn now to a different aspect. The CPR is also the parent company of CPA which has its headquarters in Vancouver.

Mr. EMERSON: That is correct.

Mr. DEACHMAN: We are very proud of that airline. Many times I heard Grant McConachie discuss the possibility of further transcontinental services from Vancouver to Toronto and to points in the east. Having regard for the desires of the CPR to build up that service and to have the goodwill of the people of Vancouver in building that service, how much goodwill will they encourage from the people of Vancouver when we see ahead of us the prospect of not having The Dominion and a diminishing chance of having The Canadian because apparently there is no plan for replacement?

Mr. EMERSON: You say there is no plan for a replacement but there is no prospect of need for replacement for many years to come, so it is not necessary to formulate a plan for replacement at this time.

Mr. DEACHMAN: Let me turn to something a little different. I think I can perhaps bring this home in a different way. The C.P.R. is also the operator of a ferry service out of the city of Vancouver. I understand that it is not operated by the steamships but by the railways as an extension of the railway arm to Vancouver Island.

Mr. EMERSON: It is part of the railway company's operations.

Mr. DEACHMAN: Can you give us a brief rundown on the withdrawal of the ferry services between Vancouver and Vancouver Island over the last decade or so?

Mr. EMERSON: I can recall a number of things about it because of being involved in it from time to time I suppose the principal factor which brought about the reduction in our British Columbia coastal steamship services was the long strike of the S.I.U. which took place, I think, in the summer of 1958. This, of course, was a crippling blow to the service. It went a long way towards severing connections between Vancouver and Vancouver Island, and it was following this unfortunate event—unfortunate at least from our point of view—that the Government of British Columbia decided to enter a ferry service on its own.

Mr. DEACHMAN: Did you at any time talk with the Government of British Columbia about building access roadways for an improved ferry service?

Mr. EMERSON: We had discussions with them, as I recall it, but they were not definitive.

Mr. DEACHMAN: The point I want to make, sir, is that by 1958 you have literally withdrawn from the passenger ferry service to Vancouver Island and to the City of Vancouver.

Mr. EMERSON: That is not correct.

Mr. DEACHMAN: You still operate the Princess of Vancouver which goes into Nanaimo. I do not know whether the summer services are running as yet, but basically the C.P.R. ferry service which used to run from downtown city of Vancouver to downtown city of Victoria for the better part of half a day or

more was replaced by a far superior service operated from the shortest points of land by the building of a runway. I wanted to suggest to you that the C.P.R. initiative could have done what the province of British Columbia did, but instead of that you pulled out and abandoned the service.

Mr. EMERSON: What did you say is not quite right.

Mr. DEACHMAN: And it was a profitable service which the province got into.

Mr. EMERSON: Whether it is profitable or not I am not prepared to say because I do not know. But you must bear in mind, of course, that the cost of providing the facilities at Tiawassau and Swartz Bay which the British Columbia ferry serviced are part of the road system of the province.

Mr. DEACHMAN: And your truck system runs through the province everywhere?

Mr. EMERSON: Yes, but it would not be a facility opened to the private operator. Bear in mind that we were saddled with the SIU, as it were, and the government ferries, I think, were disorganized. Also bear in mind that the province of British Columbia assessed a fuel oil tax on our vessels.

Mr. DEACHMAN: Have you recently been experimenting with the possibility of running a barge of landing craft type of vehicle at the points from Tiawassau across to Swartz Bay or in that area with a view to moving trucks?

Mr. EMERSON: We have that sort of thing in mind.

Mr. DEACHMAN: Here you would be using the very road which you said a moment ago would not be available to you for a passenger ferry service.

Mr. EMERSON: No, that is not our road.

● (5:00 p.m.)

Mr. TURNER: May I intervene at this point and ask a question? Has this ferry service anything to do with ferrying passenger cars of a consist?

Mr. DEACHMAN: It is an extension of the passenger rail service of the C.P.R. I think I am correct in saying that it transports passengers to the City of Victoria, the capital of British Columbia. It was service that was abandoned by the C.P.R. with the exception of one vessel, and replaced by a provincially operated service. Once the provincial service was in operation, the roadway working and so on, now the C.P.R. is planning to get back in business on that line operating a barge-carrying arrangement. Is this correct?

Mr. EMERSON: First I wanted to correct one impression, that we just abandoned the service and left a vacuum for the government to fill. That was not the case, and I think that impression should not be allowed to stand. As I have told you, we had this lengthy strike which, of course, was called against us. The service thereafter in 1958 was not reduced to its present level. The Princess of Nanaimo, for example, continued to operate until about two years ago when we discontinued operation on that coast.

In so far as the other type of service you are speaking of for the carriage of truck is concerned, I may say for your information that this is a matter which has been the subject of discussion with the British Columbia government and it is with their concurrence that we have taken steps in this field because they are not in a position to handle this type of traffic.

MR. DEACHMAN: In regard to what I call "abandonment"—I will let you call it whatever you wish. Mr. Emerson—the service was dropped, the service is no longer there, it was taken up by another agency of the provincial government which operates a very excellent service. I think what it has demonstrated, and I think history has borne this out, is that this was not an area in which the C.P.R. was putting great thought or initiative, and local initiative and thought put in a far superior service. I wanted to drive this home particularly. I am left with the feeling in regard to this and in regard to your form of operations in Vancouver, that the C.P.R. thought and initiative is not going into the city of Vancouver and into the development and improvement of its western terminals. I am very frightened, when I see the passenger rail services of Vancouver disappearing, that it is merely another case in which we on the western end of the tug-of-war are wondering whether something else has to go.

MR. EMERSON: I would have to disagree with your contention that these are matters to which we are not giving thought and attention. I would point out that following the termination of world war II we in fact bought four new diesels for the British Columbia coastal steamship services. They were four of the most modern diesels that we could procure. Certainly in competition, if you like, with the government service we are at a certain disadvantage. For one thing the net results of our operation are subject to income tax, which removes a very high proportion of any net earnings when you have them and does not relieve you of any if you do not have them.

MR. DEACHMAN: Mr. Emerson, I am prepared to accept that you bought vessels at the end of the war, but then you phased out of those vessels. We have wharf operations in Vancouver, and literally nothing has been done there since those wharves were built. This brings to another phase which we are not able to discuss here, but the City of Vancouver have to look at these wharves every day.

Pier A was built in 1890 and it is condemned. Pier B and C is badly outmoded, but Pier D is marked on the marine maps as "in ruins". There is nothing of that pier but the charred remains of the old burned pier, sitting there at the front of the city at the foot of Grenville Street.

Having phased out these operations and having done nothing with the existing waterfront, you are now phasing out "The Dominion". You have no plans for rebuilding "The Canadian", and you ask the people of Vancouver to have faith in this kind of operation.

I ask you, sir, how can we have faith? I want to see you make a profit. We are proud of what Canadian Pacific Airlines is doing. We want to see them go ahead. We are awfully proud of "The Canadian"; it is one of the best tourist attractions we have; it is a magnificent thing.

I ask you to give us some kind of gesture which will show us that you are prepared to modernize and stay with this world in the Vancouver end of your operations.

MR. EMERSON: I think you have a number of illustrations of that, Mr. Deachman. For example, also down in the same area of which you are speaking, we built a number of years ago a brand new terminal for the "Princess of Vancouver", which is the most modern and up to date type of arrangement that could be devised for that operation. We are currently in the Falls Creek area,

which is also part of Vancouver, taking steps to remove certain of our operations from that part of the city, freeing the area for upgrading and more effective use.

As you probably know, there are problems associated with the waterfront itself that are between ourselves and the National Harbours Board. Until these and other matters are resolved, it is impossible for the company to proceed with what you call upgrading or development in this area.

But let me point out to you that in the meantime—

Mr. DEACHMAN: May I ask one question about these properties? This is a matter, as you and I know, that has been in dispute for 30 odd years. This subject has been if not in litigation at least in argument between lawyers for 30 odd years. Is it not possible to bring some of the most valuable waterfront lots in Canada into effective use rather than to pursue this endless legal argument about the ownership of those lots? Surely between the Canadian Pacific Railway and the government this question could be settled, and Vancouver could look at that development.

Mr. EMERSON: Of course, it takes two bodies to reach agreement. Discussions are taking place. I am hopeful about the outcome, but necessarily I cannot predict them.

I want to correct any impression that may have been left that this area is not developed and is not used. As you well know, down along the waterfront area we have our various rail lines which serve the city of Vancouver. Pier B and C is a very active working pier and is much in demand.

Mr. DEACHMAN: That is the one from which the P. and O. boats have sailed, and which now have been banished from there to take up terminal in Seattle. Is that correct?

Mr. EMERSON: No, the P. and O. boats still sail from there. They have not been banished. They have not been required to take up terminal in Seattle. It is quite open to them to make arrangements, if they are dissatisfied with Pier B and C, to use any other pier on the waterfront that suits their purposes better.

Mr. DEACHMAN: Do you recall the words of Sir Colin Campbell, a very responsible executive of the P. and O. lines who came to Vancouver in 1963, who said that your Pier B and C to which you have now referred was the second worst terminal in the world in all the 18 ports of call that P. and O. lines visited.

Mr. EMERSON: I have heard that argument attributed to him. Again, it reinforces my feeling that if he was so unhappy about it he could seek another pier in Vancouver.

Mr. DEACHMAN: Canadian Pacific ought to improve it.

Mr. EMERSON: There is no obligation upon Canadian Pacific to provide a pier for the P. and O. line. P. and O., if they need one, can build one for themselves or secure accommodation elsewhere in Vancouver.

● (5:10 p.m.)

Mr. DEACHMAN: There is not a city in Canada that makes the Canadian Pacific Railway Company richer than Vancouver; it provides the Canadian Pacific Railway with everything; it is a Canadian Pacific Railway heaven, and all they would like you to do is to plant some flowers in it.

The CHAIRMAN: Is that all, Mr. Deachman?

Mr. DEACHMAN: Yes.

The CHAIRMAN: Mr. Sherman.

Mr. SHERMAN: I would like to say thank you to Mr. Allmand for allowing me to interrupt him to ask a supplementary question.

The CHAIRMAN: Mr. Allmand will probably reciprocate one day.

Mr. SHERMAN: He is perfectly free to do so.

As I said two or three days ago in this hearing, I feel the Canadian Pacific Railway has a case for abandonment of "The Dominion", and the longer I sit here and listen to Mr. Sinclair's calm, reasoned and knowledgeable coping with the questions of the committee the more I become convinced that it is an almost airtight case. However, perhaps because I come from Winnipeg where we are particularly sensitive to the loss of transportation facilities, a few questions nag in my conscience, gentlemen.

I think I made the point earlier that I do not believe in sustaining a losing business; I do not believe in that for one moment. However, I do not believe in unnecessary surrender either, and I think that Mr. Cantelon of this committee made a good point a little earlier when he suggested that the Canadian Pacific Railway, particularly in so far as "The Dominion" is concerned, has failed to modernize its facilities so as to compete technologically in the realm of passenger traffic in the 20th century.

I hasten to say at this point, Mr. Sinclair, that I was not in my supplementary questions suggesting for a moment that you had been derelict in any of your duties or responsibilities, sir, but I do not know of anyone in this world who is infallible, and I suggest that although it may not have been your overt, specific, designed, premeditated policy to allow the facilities of "The Dominion" to decline or to go into decline, I suggest to you that the consensus of opinion among people on the prairies is that this is what happened—that the facilities and the services, the public relations and the general awareness on the part of the Canadian Pacific Railway of the needs and requirements of the prairie train traveller were allowed to atrophy and decay to the point where "The Dominion" was not worth patronizing.

I have had people over and over again tell me that they have met with considerable insensitivity and considerable coldness when they have gone to the Canadian Pacific Railway terminals or telephoned the Canadian Pacific Railway terminals in the past four or five years with respect to inquiries about the service on "The Dominion". I have had them tell me how unhappy they have been with the service they have received on "The Dominion".

I am not suggesting that these people necessarily represent the valid point of view, but the discontent is considerable, and I do not think the Canadian Pacific Railway should overlook it.

If this were just another railroad, if it were just another railway company, probably the members of this committee would have agreed long ago to have foreshortened these hearings and perhaps acceded in the desire of the Canadian Pacific Railway to withdraw, or maintained its recent step in withdrawing "The Dominion" service, but the Canadian Pacific Railway is not just another company, and the Canadian Pacific Railway Company is not just another railway. However, it would be presumptuous of me to labour that point. The

Canadian Pacific Railway is part of Canada. It is one of the great institutions of this country. It occupies a special place in the hearts and sentiments of Canadians. At the risk of repeating myself, if I may do so once again, I would emphasize that your public relations in this area have been bad and have left much to be desired.

To return to the point that Mr. Cantelon made which I mentioned a moment ago about the failure on the part of the Canadian Pacific Railway through "The Dominion" to compete technologically for the available market, I suggest that the error in this case, the sin, has been one of omission rather than of one of commission. That is to say, the railway has failed to meet the demands of the 20th century travelling public.

I recall reading that in the days of the onset of radio, the newspaper industry was disturbed. They thought it was going to be the end of the newspaper industry because radio was now upon the scene and newspapers were going to be finished. I recall at first hand having personally participated in the introduction of the television industry in this country. Both newspapers and radio threw up their hands and said, "We are finished; television is upon the scene." But this has most emphatically not happened. The newspapers are back today more strongly than ever before and radio is back today more strongly than ever before. The motion picture industry, which for four or five years went into the doldrums and was in considerable disarray shortly after the appearance of television, has recouped, restrengthened, and discovered new ways to compete in the market place, to compete for the entertainment dollar, and to attract some of the patronage that a few years ago the industry feared was going to be lost forever to television.

I am just wondering whether—and it is probably a presumptuous question, but I will put it in my ignorance—the railways, and specifically the Canadian Pacific Railway, and most specifically those of you concerned with "The Dominion" passenger service, have attempted to research new ways in which to compete for that passenger traffic dollar and have come to the conclusion that having exhausted all avenues of research there is absolutely no way, and that you will have to surrender because there is no way in which you can share in that market.

Mr. SINCLAIR: Well, Mr. Sherman, I certainly accept your statement that we failed in getting our view and our position known to the people, I think I said that the other day. This is our fault, of course; we did try in our own way to get our views across but apparently it was not as effective as it might have been.

I would like to say that the idea that we did nothing with the Dominion is wrong. You will remember that, by the end of the war, Mr. Sherman, there was very little air conditioned rail passenger equipment, and what did come after that was ice-activated. We did modernize following the war and we had difficulties, as everybody did at that time, to get material supplied; some people forget these things. I can remember it was difficult even to buy an automobile as late as 1950. Today, I think you can buy an automobile very quickly, but others here in the committee room know more about that than I do. But we did modernize the Dominion, and it became an air conditioned train by 1950. We did introduce new colour schemes and new materials into it; we did put some stainless steel equipment on it, starting in 1954; we did apply domes to the Dominion. We fought very hard and led the way in Canada, if I may say so, to get the right to serve libations on our trains in various provinces. In each

province we took the brunt of that, including Manitoba. We did introduce different types of menus such as special gold eye and trout meals, and various things on our diners. These were all done on the Dominion.

To give a different type of example: when I lived in Winnipeg, Mr. Sherman, the normal way for a family to go down to the Lake of the Woods on a Friday night was by train; then the highway was built and the normal way now is to go by car. I would say it is the nice way to go—you pick up your wife and kiddies and take them in your car; that is a convenience with which we cannot compete. We did introduce such compensations as Hertz, Avis and Tilden at both ends of our run, which is one more example of our different lines of research. As I say, we made this effort during the mid-fifties, which was not successful. A lot of people are hearing things now about "will call" and a lot of people are saying they have introduced "will call" and that this is a new idea. This is not a new idea; Canadian Pacific introduced "will call" for passenger tickets quite a few years ago. Differential price changes are also said to be a new concept but that is not so; we also have had differential pricing. In fact, we had all these various things back in the fifties.

I just think, Mr. Sherman, that everyone I know, with many years of experience in the rail passenger field in North America, has come to the conclusion that the market is a declining one. However, we have not lost hope for the Canadian. I think we have a marketing job to do and I hope we are able to do it. I, myself, certainly have not lost faith.

A lot of people do not realize that this sort of thing is also happening elsewhere; for instance, one of the great passenger railroads of North America, an older railroad than the Canadian Pacific, is the Southern Pacific. They are taking off the Lark which was their number one blue ribbon train between Los Angeles and San Francisco. The equipment on the Lark is nowhere near as good as the equipment that is on the Canadian, and it had, generally speaking, the type of equipment which we were using on the Dominion. Our coaches on the Dominion were modern Tuscan red-topped coaches: They were not stainless steel, but the 2200 series was built after the war, I think about 1950. The disc brakes came along around 1955 with the stainless steel equipment. I think there has been a misconception as to what we did with this train, Mr. Sherman, but personally I travel about 80,000 miles a year, which is a fair amount of travelling, and I observe what others are doing and the techniques they are using in operations. We have made lots of mistakes, certainly, and we are going to make lots more in the future, but we certainly did not abandon the Dominion; this was something that was forced on us by changes in the market.

● (5:20 p.m.)

There has been, as you say, a resurgence of radio, and I can remember well, just as you say, how it was said that radio was dropping in popularity but the young people took it up, for one thing, and people started getting transistor radios, and shows were developed for listeners rolling home by car, and various things like that. Maybe you do not know that we had special operators on our trains when radio was quite new in Canada and we had radio-equipped trains. Reception was not as good and programming was not as good, but we did have radios at one point on our passenger trains. You can see the resurgence of radio and the resurgence of newspapers of a certain type but, at the same time, other than specialty news magazines, you can see a falling off in the magazine field.

Some of the magazines which I used to read have gone. They had a large circulation but they are no longer wanted. *The Saturday Evening Post* is an example of the popular magazine that once was a great magazine and is now in great difficulty. There are other productions and services that have been supplanted. But in the transportation business the technological breakthrough brought about by airplanes and new highways plus the new automobiles has made a vast and continuing change.

Now I hope that does not mean that we feel that everything we have done is right. That is not so. We know we have made mistakes and we have tried, during these discussions here in the last few days, to listen and to try to learn at the same time.

Mr. SHERMAN: Thank you sir. I have a few minutes left and I would like to ask a question with respect to possible new techniques with regard to the railway's bid for part of the passenger traffic. What about people who do not fly? I do not think you can deny the existence of a certain segment of the population that will not fly. I know people who will not get on the plane. My wife and I have friends who will not fly together.

Mr. SINCLAIR: Give me their names and I would like to talk with them.

Mr. SHERMAN: They say they are doing it in the interests of their children. When they have to travel together, one takes one plane and the other takes another. I can see a good reason for not travelling with your wife but I do not subscribe to that as the reason. It does not bother me to get on the same plane with my wife but I know a good many people who do not. What about old people who perhaps have not become attuned to the technology of the twentieth century quite to the extent that the young people have. People are living a longer time than they ever did before. What about the problem of what to do with our old people, which is a very trenchant one. People now enjoy more leisure and, perhaps at a certain level of the community, more income.

We are dealing here specifically with this one service. Why has the railway not made an attempt to cultivate that market; to, say, let the airlines have the young people and the railways look after the old people. Perhaps you should design your cars specifically to accommodate old people, get rid of the old-fashioned upper berths that made it so difficult to get dressed and undressed and build specifically for the old people, or build for businessmen, or for conventions and put in convention cars that can handle actual meetings of businessmen in transit. There are various services of this type.

Again, as I say, please do not consider me presumptuous in asking these questions; I am asking for some information, and it is in line with my original question about research with respect to the available market. You mentioned the hookups you had with U-Drive firms? This is a question I was going to ask: has there ever been any attempt to establish booths in railway stations?

On the subject of railway stations and terminals specifically, I would be interested in knowing the following: I know there is a new Union Station being built here but by and large railway stations across the country are not, for obvious reasons, as attractive in terms of decor as air terminals are. Are there areas like this which could be explored or have been explored and examined with a view to recapturing or recultivating part of the old market or, in fact, developing a new market for the railway? In other words, what I am asking is whether the abandonment of The Dominion passenger service may not be

somewhat premature. Is there a possibility that you might find, as some other industries beset by temporary passing troubles have found, that with the passage of time, such as five, seven or 10 years, new markets, new social trends, new economic trends and new technological developments have opened up new avenues to them that they never dreamed of before.

● (5:30 p.m.)

You mentioned the highway between Winnipeg and the Lake of the Woods which was a beautiful stretch of highway. You used to be able to drive over it in two hours, but now there is bumper-to-bumper traffic on that highway every Friday evening and Sunday evening. I suggest to you, sir, that if the situation worsened beyond the point at which it is now where there are three or four fatal accidents every summer on that highway, people will go back to the railway to get down to the Lake. I think it might be a mistake to abandon those services too soon, and I would like to perhaps suggest that you add this to your area of consideration.

Mr. EMERSON: If I may comment on that, Mr. Chairman, I think we have endeavoured to cultivate all markets for possible transportation service, young people, old people, middle-aged people, business people, children, anybody. However, the number of elderly people who are reluctant to travel by air, we must all agree, is diminishing rapidly. As has been mentioned, there are many young people who have never been on a plane and have no desire to go on one. Business people going any distance would not travel by train if you gave them the passage; they will not take the time, they want to be there.

As to railway terminals, we recognize that the railway passenger stations generally are not as modern as the airports, but again here was the question of who would put up the funds. All of these things could be done, as you suggest, Mr. Sherman, if we were willing to take the gamble—I suggest it would be a fantastic gamble—to make the investment to see if it worked. But I am quite sure, in the light of our experience and of the very honest efforts that have been made to date, that it would be foredoomed to failure. The result of it would be that you would be employing the resources of a railway company, the resources of the nation, in a way that would hinder rather than help our economic development. You have to go back to thinking of the report of the Economic Council of Canada, of the need for capital investment, of the need for improved productivity, to bring into being the number of job opportunities for the many thousands of young Canadians who are entering the labour market each year, and the only way you can do that is to employ the resources where they can most efficiently be utilized. Certainly, in the present trend of events, it is not in the passenger field, which is a high labour field, but rather in some of these other areas, in the movement of other commodities which Mr. Sinclair mentioned such as automobiles, potash, sulphur, and the growing list of products of our nation which have to be moved abroad.

From the standpoint of the C.P.R., our objective is to make the most efficient use of the resources available to us in order to play our fullest possible part in the development of this country. I suggest that is reasonable and proper.

Mr. SHERMAN: There are a number of statements in your brief with which I do not agree; I find them somewhat unacceptable. However, I am not going to work through them paragraph by paragraph because it would be painful to question each one of them. For example, in one instance I find it difficult to

accept the fact that the C.P.R. is concerned over the fact that, as you state in the second paragraph on page 16 of the long brief, with reference to the faresaver plan being introduced:

These lower fares have succeeded in diverting traffic from other media that could handle it profitably, thus undermining the financial stability of both forms of transportation.

To me that consideration has no relevance in a free enterprise market but, as I say, I do not want to go into the specific, detailed, picayune argument that could be raised with a number of individual points in the brief.

Mr. SINCLAIR: We are in that other service. For instance, we are in the air service.

Mr. SHERMAN: I know, but we are considering the two quite separately and distinctly here.

Mr. SINCLAIR: No. What we are saying there, Mr. Sherman, is this, that if you put in fares that are loss services, the result is to take people that normally would go to a viable service. What you are doing is depressing both services unnecessarily.

Mr. SHERMAN: I read more altruistic motives than that into the paragraph.

Mr. SINCLAIR: It was wrong to put any altruistic motives there. These were straight economic motives.

Mr. SHERMAN: I am reassured because I felt you were becoming perhaps a little, lofty in economic terms in that statement.

Mr. SINCLAIR: I am sorry, maybe it should have been phrased better. I can see what you thought, but it certainly is not what we meant.

Mr. SHERMAN: I thank you for your consideration of my questions, gentlemen.

In conclusion, I would like to reiterate what a number of committee members have already said, that the crux of the question really is: are we going to be sitting here in two or three years time discussing and considering the demise of "The Canadian". Although I am perfectly willing to accept the arguments at this stage for the discontinuance of "The Dominion" by the C.P.R., I would not be willing to accept a total withdrawal of the C.P.R. from the transcontinental passenger service. If I am on this committee two or three years from now when the case of "The Canadian" comes up, my resistance will be much more emphatic.

Mr. SINCLAIR: We hope we will not be here.

Mr. EMERSON: I would say I do not think you will have before you on this committee, in two or three years time, the question of "The Canadian". If you when that matter does arise, however, I would suggest that you have, after all, the Board of Transport Commissioners who are the first body to deal with it, and if and when parliament at some future date wants to look at this as a separate matter, that is their prerogative to do so. Surely, however, that is not necessarily related to the question of "The Dominion" at this time.

Mr. MCINTOSH: Before you leave that question could I not say, Mr. Emerson, that in our terms of reference we must refer to that because it says "the future plans for passenger service".

Mr. ANDRAS: I am going to be guilty of getting into the field of altruism, I think. Just to set the scene I would like to present some points of view on which I will ask for comments either from Mr. Emerson or from Mr. Sinclair, and I have some specific questions. I would like to get into this area of a phrase that is used in your brief and which many of us have used prior to this committee meeting, the phrase "economic and social impact".

The other day Mr. Sinclair was referring to this, and I think the Board of Transport was referring to it in the sense of it not having been apparent that there had been any detrimental economic and social impact in connection with "The Dominion" and other lines.

I think you referred also to some examples of towns in British Columbia which seemed to be thriving in spite of the fact that there had been some withdrawal of passenger service there.

Mr. SINCLAIR: Complete withdrawal.

Mr. ANDRAS: I am absolutely positive that as a committee we are going to face the situation sooner or later that we will require some kind of definition here, some kind of criteria by which it can be judged factually whether there is or is not some significant economic and social impact. This is suggested at this stage without any commitment as to whose responsibility this disruption might ultimately be when it does take place and when it is identified.

I am going to ask for your ideas, gentlemen, in a few minutes, and your feelings on what might be some criteria in this connection, but I just want to set a little scene here if I may.

There are communities that are diversified in terms of industry and in terms of job opportunities, and these communities are growing. They can perhaps take adjustments such as result from the withdrawal of such a passenger train service and perhaps the removal or replacement of railway staff.

There are other communities, such as Schreiber, Ontario, and White River that are described pretty much as railway towns. In these towns or communities a sizeable portion of the population which is employed by the railways—perhaps a lot of them on passenger service—the withdrawal of passenger services could well result in a reduction of jobs in that town or community. This of course could mean the removal of those people, the displaced railway employees, with a resultant detrimental effect on the merchants, the storekeepers, the small business men, who do not work for the railways but whose trade is certainly dependent or has been dependent for some years on the patronage of railway employees.

● (5:40 p.m.)

Let me say I appreciate that this is not a problem which is confined to railways in what you might describe as their operational adjustments to the time. It is not a problem that is confined to you people. There are other industries, many others, in which similar circumstances could prevail. I am thinking for example of what has just happened in Hamleton with the closing of the Studebaker plant. Nevertheless, the railway is a very large organization and it is a very widespread organization, and it affects many of these railway towns which were built up in the beginning for the railway and are still to a large degree railway towns.

When a national train service is withdrawn there is a pretty severe vacuum created in these towns. I submit that if we were able—and I hope at some stage we can come close to it anyway—to define what a significant economic and social impact really is, we might find that there are many communities that were seriously affected by passenger train service withdrawal, particularly on such a scale as withdrawal of a national or transcontinental train.

If I may stop for a minute and just get your views on what you feel might be a means to reach a definition or a criterion for economic and social impact I think it would be helpful. This is completely outside the area of effective demand.

Mr. EMERSON: I would like to comment on that, Mr. Andras, and perhaps Mr. Sinclair will have some further thoughts.

You have of course pointed up the question of the impact on railway labour. I remind you of the information which was given on Friday, that the total number of employees across the system who would be left without alternative employment at the moment as a result of the cancellation of "The Dominion" and of the Ottawa-Toronto and the Montreal-Toronto train service is 88. Eighty-eight persons scattered across the length and breadth of this land is not very many, so I suggest from that standpoint the impact would be very small.

At White River, I think hardly anyone would be affected unless it were someone who perhaps collects the garbage from the diner, or something like that, because there are no crews living in White River. Schreiber will be another matter; there is an engine crew east and west of Schreiber that will be affected, of course. However, here they exercise seniority and go into the freight service.

If we make the test, of course, that there should be no loss of employment, how are you ever going to discontinue a service? And is not the time when the country is at a high level of economic activity, when in many areas we are having to go out and hire new, inexperienced employees, not surely the best time to make the adjustment? Is it not also the best time to do that when we are seeking to endeavour to promote other forms of traffic which will provide for a continuation of that employment in a meaningful and useful way?

If I may carry your suggestion to the extreme, the idea that a railway cannot be allowed to discontinue a service because it will affect some employees at different communities, and the resultant loss of their purchasing power will disrupt communities, surely that is the most short-sighted and narrow form of economic waste that could be devised, on the assumption of course as has been proven, I think, that there was no effective demand and that the service was a loss.

Mr. ANDRAS: I am not necessarily saying that this has taken place yet. You have already established the fact that in your opinion it has not taken place. There is great evidence before this committee now that there is a possibility at some future stage that passenger services might disappear. This is an opinion we have come pretty close to.

I said in the beginning, I am not attempting to establish where the responsibility lies, but I think we have to come to some definition of when this will reach major proportions because we do not want to be faced with a crisis later on.

MR. SINCLAIR: I will say one thing: the proportion in Canadian Pacific passenger service is relatively small to the total employment because most of the employees are in freight service; in fact, a very, very large proportion.

MR. ANDRAS: Well, to extend that then—

MR. SINCLAIR: If I may interrupt, I think there were more people operating for instance, as firemen than were crewing the entire transcontinental train many times, and we have made the necessary adjustment over a period of time. I think you are overlooking one thing; not only is there a change in growth in this country, which is being brought about through an increase in traffic but there is also an attention factor which runs pretty substantially through this company because it has so many employees. I know in the case of myself, and Mr. Emerson before me, our responsibilities have certainly been taken into account in planning the movement of people into productive work. And, in response to a question put by Mr. Byrne, to my knowledge, all the people that worked with this company, by and large, did not like doing non-productive work but preferred to be in something that was productive. We see this every day.

MR. ANDRAS: You may be correct when you say at this stage it is not a major crisis, but I am saying it could become a major crisis if the trend continues.

MR. SINCLAIR: I do not think so because there is not enough people involved.

MR. ANDRAS: All right; I am somewhat reassured by your statement. You are taking a net of about 88 people who were displaced, but to reduce it to a net of 88 who were finally displaced by the move does not necessarily define the changeover. There may have been many transfers. In the case of many small communities this may have drained a substantial portion of their buying power. So, the net figure does not necessarily clear that point up.

MR. EMERSON: No, because the total number affected was 388 or something of that nature. I will get the exact figure for you in a moment; it was 394. And, may I draw to your attention that that included both services, the Dominion and the Ottawa-Toronto and Montreal-Toronto runs.

MR. ANDRAS: I am now going to go to another subject which might be classed under the general heading of economic and social impact. There is the question of what does constitute adequate alternative transportation to passenger train service. Now, most certainly the area I come from is a pretty good example of this. We are still a very much undeveloped country, sparsely settled with a low population density with scattered populations of people. The transportation of people is essential to the development of our country. We have heard stories to the effect that Canadian Pacific has played a very significant role in the development of this country, but I do not think that this job is anywhere near completed. I am far from satisfied that alternative transportation exists as a substitute for train service. Today there are many new communities being formed and, who knows, there may be many many new communities which are still unborn. We are going to have a great deal more transportation facilities as this country becomes populated and developed. Also, if we suffer in Canada now from a trend toward perpetuity and increase the conglomeration of our population in a rather few and very quickly growing urban centres, to name a few: Toronto, Montreal, Ottawa, Vancouver, Calgary

and so on, the lessening of transportation in any form, in my opinion, will accelerate that trend to the detriment of other underdeveloped regions. I do not think this is in the best interest of the country.

● (5:50 p.m.)

Now, Mr. Sinclair remarked about commuter service, in other words, the short service, in large urban areas and the profit attraction to these areas. The profit possibilities of commuter service, which has been identified here, would confirm that general trend toward enhancing large urban centres as opposed to underdeveloped areas. Mr. Emerson, I would like your views on this in reference to the Dominion and also in connection with any curtailment of the Canadian, the continuance which is still up in the air, at least to some future undetermined date.

In view of the remarks of Mr. Crump, Mr. Sinclair and yourself I would assume that you would hesitate to go past a certain time with regard to a commitment of the Canadian at this stage. But, in view of that and with regard to withdrawal of transcontinental passenger service do you not feel and recognize that there is perhaps a great danger of premature withdrawal; in other words, there is a danger area with regard to timing in terms of the country's best interests, in terms of development, economic and social impact. I think the timing is a very important consideration.

Now, Mr. Chairman, I would like to reserve the privilege of further questions at this time because I would like to have some comments on what I have said, especially with regard to my comments on timing and the withdrawal of service in terms of development of this country.

Mr. EMERSON: I do not know if I have all the questions down. First of all, I think you mentioned the question of alternative transportation arrangements and facilities. Now, the MacPherson Commission dealt with that, and suggested that the railways should not be encouraged to stay in the unpopulated areas where alternative highways existed—and that certainly is true in the areas that you know so well. No doubt, you also know of the highways outside our railroad fence, say, from White River west to Vancouver. There are underdeveloped areas, yes, and I would hope and expect in this country of ours in the years to come we will find ways and means of developing these areas and the resources that they contain in a meaningful way. Our company, the Canadian Pacific, would like to play its full part in doing that. But, we do not think—in fact, we feel very sure—that our resources should not be wasted, if I can put it that way, in providing a service for which there is no effective demand rather than conserving and directing it to other areas where they can be more usefully employed. After all, you have to remember that the resources of this nation in manpower, materials and money, are not unlimited. Again, to go back to the economic council, it is part of our job to see that they are employed most effectively.

As to your question of urbanization, I really do not think that railway passenger service is going to have any particular effect in one way or another in regard to the trend that we seem to observe in recent years along these lines. I must say that at the moment I am unable to think of any development of this sort that was either accelerated by or impeded by any change in the passenger service.

Mr. ANDRAS: The point I am making is that this is another withdrawal to easy living and of convenience, in the transportation sense, from the underdeveloped areas. Conversely, you are recognizing the possibilities of extending commuter service where there appears to be an effective demand developed. This sort of action just makes the urban centres that we are creating that much more attractive and the underdeveloped regions that much less attractive. This is just another case of creating disparity between regions. I realize the point I am making is a generalization, but the withdrawal of transportation services from these isolated areas, in my opinion, makes it much more difficult to live there and less attractive to go there.

Mr. EMERSON: I would seriously doubt in any place where there is a highway paralleling our line, which is over most of the system, that it would have a serious impact. Take, for example, people living in Schreiber, Ontario; you can certainly drive from Schreiber to Fort William in less time than you can go by train. I venture to say that a great many people who do travel between these two places, as a matter of choice, drive their automobiles.

Mr. ANDRAS: Well, Mr. Emerson, I can only say to you that I, as well as many other members, I am sure, from areas like this, receive a great deal of correspondence, together with verbal complaints, about the fact that this is inconvenient, and a great worry to them.

Mr. Sherman hit the nail on the head when he said that a great deal of this problem concerns a question of public relations.

If I may continue—

The CHAIRMAN: I think, gentlemen, this may be a good time to call an adjournment, and then we will continue at 8 p.m., if that is agreeable.

There is about 10 minutes left and I would like to take the opportunity now to discuss one or two items with you before we adjourn.

We will be sitting this evening from 8 until 10 o'clock, at which time I hope we will be able to finalize the preliminary questioning of Mr. Emerson and Mr. Sinclair.

I want to call a meeting of the subcommittee on agenda and procedure for tomorrow in order to discuss future meetings as well as any witnesses that we will be calling. As you know, there is a caucus meeting tomorrow morning at 10 o'clock. May I suggest to members of the subcommittee namely Mr. Bell, Mr. Cantelon, Mr. Horner, Mr. Orlikow, Mr. Fawcett and Mr. Olson that perhaps the best time to meet would be at 1 o'clock tomorrow, if that is satisfactory to everyone concerned.

Mr. BELL (*Saint John-Albert*): It really does not matter.

The CHAIRMAN: Then, if it is agreeable, we will meet in my office in room 438-C at 1 o'clock.

Mr. MITCHELL: You are not getting permission to sit tomorrow?

The CHAIRMAN: No, we are not sitting tomorrow; we hope to finalize this phase of our hearings today. In any event, we are unable to sit tomorrow morning because of caucus.

Although when we commenced there was a time limit of 30 minutes put on each member for the purpose of putting questions, the intention was not that you had to use up this 30 minutes for questioning, and I would urge upon all members of the committee that you do not extend yourselves to the half hour limit, unless it is completely necessary.

I know there has been a great deal of repetition in the questioning but I did not want to restrict anyone. However, the officials of the Canadian Pacific have indicated that they will come back on recall, if necessary, and I am sure that any questions that are left unanswered could be dealt with at another time. I would ask all members of the committee to restrict their questioning as much as possible without limiting themselves so that we can finalize this preliminary examination by 10 o'clock this evening.

The committee adjourned.

EVENING SITTING

The CHAIRMAN: I call the meeting to order.

Mr. ANDRAS: Mr. Chairman, the other day, at the opening of the hearing, I asked some questions. I think this matter has come up before and I fear I will be repetitious. I ask you to bear with me. It concerns the state of equipment of The Canadian and the length of time during which it will be useable without replacement, and what plans the C.P.R. has for capital replacement. Much has been answered regarding the length of time during which the equipment is useable. I am being very frank about this. The answers did not exactly reassure me and I certainly know from other comments around the committee that other members are still not reassured regarding the length of time the C.P.R. will continue to operate The Canadian. I think Mr. Crump was inclined to encourage this for a bit longer. From the remarks that came through to me I understood he had this sentiment in regard to the image of The Canadian as a picture of the C.P.R. Certainly if I can figure out how to do it I would like to pressure you for a stronger assurance about retaining The Canadian and a much more specific indication of timing about its future. I will state frankly that I believe there are areas such as northwest Ontario, and these under-populated, isolated areas, where the abandonment of The Dominion has been a hardship. I would be even more dogmatic about any suggestion of abandoning your second C.P.R. transcontinental train in the foreseeable future. I will tell you frankly that if I had been a member at that time I would have resisted this pretty strongly. I think Mr. Sherman also made this point a few moments ago. I would also go so far as to say that I would consider The Canadian your last transcontinental passenger service as a package related to such things as C.P.A. groups and other profit opportunities in which the government might be involved or on which I might have a vote or a voice. You may call that pressure; you may call it "dirty pull", but I do feel that strongly about The Canadian.

I recognize the need for progress and for efficiency but I will try and explain it this way. In spite of the pace of technological development—and it most certainly was exciting in these last few years—I simply cannot visualize in my lifetime that this country can be left without passenger service in some very substantial form. There is no doubt about the fact that you are entitled, as a private company particularly, to a reasonable profit. I think you do make a reasonable profit. Perhaps I cannot subscribe to the purely corporate approach that you might be taking to maximize that profit by abandoning a department such as the passenger service which is not profitable when there is a national need for that sort of departmental operation, if you want to call it that.

● (8:10 p.m.)

Again, I asked you for comments on my remarks, and I would like to end up my questioning with some very specific questions, some of which, as I said before, are going to be repetitious. Maybe they are repetitious because this has simply not come through to me. How long, in terms of your own internal management discussions—this may be an invasion and you do not have to answer it if you do not want to, of course—do you predict the continuation of The Canadian?

My second question is: if you do foresee the termination of The Canadian at some future date, and obviously you do foresee this as a possibility, under what circumstances and by what criteria specifically will you judge the necessity and the timing to move to abandon this last of your transcontinental passenger trains?

My third question is—and this is somewhat of a repetition of the question which Mr. Allmand asked—in your current planning specifically and in order of priority, and perhaps in order of timing, in what regions do you want to abandon? Could you also perhaps give us a table of this information, now or later, including those lines that are before the Board and which you already discussed earlier today, plus others you contemplate in your internal planning for the future?

My fourth question is: what alternative passenger rail service, such as a day liner or passenger cars on fast freight trains, do you intend to operate on those parts of the transcontinental main line where there is inadequate alternative means of transportation, or, conversely—I am thinking in terms of Saskatchewan perhaps—where The Canadian travels at very inconvenient times?

The next question is: what is your reaction to this somewhat intangible aspect of the need for a passenger train service in the sense of continuing the opening up and the development of under-populated and underdeveloped regions of this country? In this context, what responsibility does the C.P.R. feel it has, and, as an aside, you justifiably stated your pride in the development of the C.P.R. operations in the early days. I am maintaining that that development still exists. Would you have the same pride and feeling about it now?

The next question: what is your reaction as citizens and as managers of a most important corporate body to the question of the packaging of your overall opportunities, which implies the need to continue some unprofitable department such as the passenger service in the national interest? I want to clear up this point, not necessarily in context, because I was confused when I read the MacPherson Report in so far as the C.P.R. is concerned. Do you now attempt to recover what would be projected passenger train losses when you are setting freight rates and do you hope to recover passenger losses from freight rates revenue?

I then have one final question, Mr. Chairman.

Mr. EMERSON: Mr. Chairman, that is quite a bill.

The CHAIRMAN: Those ten minutes were pretty well filled up.

Mr. EMERSON: The question of the length of time that The Canadian will continue to operate and the comment of more specific timing about its future is, I would suggest, one that is impossible for anybody in this room to foresee clearly because it is difficult to predict what will happen in ten years from now or perhaps even in five years from now. Look back and think back a little bit; think back to ten years ago, to 1956, and look at all the developments that have

taken place in this country in the field of transportation and communications since that time. It could not have reasonably been foreseen or the full impact anticipated at that time. I see no reason to expect that the future is going to be clearer. I would suggest that the best policy that should be followed, the policy that we in Canadian Pacific would hope to follow, would be to plot our course of action as circumstances unfold. Now, if there is an arresting of the trend that has been so evident in recent years, if the conditions stabilize and there is a cessation of what we might call progress, that is one thing. On the other hand, if it continues unabated or even accelerates, that is quite something else. Who knows? In five or ten years the trans-Canada highway along side our track may be a four-lane highway for all I know. We may have larger, faster and more efficient air traffic, more landing fields, and so on, all of which provide passenger transportation. Also, I do not know what is going to happen to wage rates and costs which are an important part from our point of view. I have no way of predicting these things but I am suggesting, Mr. Chairman, that we should, as I say, plot our course according to circumstances, that we should not try to plot a fixed, hard, implacable route and follow it without amending it according to the circumstances.

Mr. ANDRAS: Would you use, sir, as your primary criterion the yardstick you have placed in your brief, that is the question of effective demand in the case of The Canadian which is now the last of your transcontinental trains? Would you recognize you would have to go a little beyond that because it is the last of the transcontinental services?

Mr. EMERSON: I was coming to that because I thought that was one of the questions you put. You have spoken about the foreseeable future. Sometimes I am curious about what the foreseeable future is. Certainly, the more you look down the road, the more misty it becomes. You have looked at the C.P.A. I would hope that this thinking can stand on its own feet, and I hate to see two quite unrelated things coupled, if I may say so, and I say that if this suggestion were advanced earlier today, it would be a most unwise sort of a policy. Let me put it this way. Suppose the suggestion had been made and carried out that if C.P.A. is granted a particular route in a year, which it is anticipated may be profitable—and it may only be profitable after a long period of development and selling—that then, on account of that, the parent company, the C.P.R., should be required as a quid proquo to carry on an unprofitable passenger service. How does that put us in relation to our competition?

Mr. ANDRAS: I said, "if it were in the national interest".

Mr. EMERSON: Even then, how does that put us in relation to Air Canada? How does it put us in relation to foreign companies with whom we are in competition? We do not live in a world of our own; we have to compete with others in the same field. You put a sort of obstacle in our way which cannot be overcome with that sort of suggestion. You say that in spite of the pace of technological development you cannot anticipate this country being without a transcontinental passenger service. Maybe not, but let me say this: The great majority of the mileage of C.P.R. lines in Canada does not now have a passenger service. I do not know the figures but it is certainly half the mileage. I do not see them suffering. What is so sacrosanct and different about the main line other than tradition, history, and, of course, the isolated areas where different conditions apply? It is also certain that the main line is generally equipped with better alternate transportation facilities than the other lines.

You say, sir, that you think we are entitled to a reasonable profit, and you think we are making a reasonable profit. I am glad that is recognized. I do not think the profits that we are making per se are by any test reasonable ones because last year, as has been pointed out, our earnings on our net rail investments were 3.2 per cent. Three point two per cent is far less than you can get on a government bond.

Mr. ANDRAS: I was deliberately heading this towards the packaging of the total when you referred to the return on rail service.

● (8:20 p.m.)

Mr. EMERSON: You mentioned that later on and I will deal with it when we come to it. You asked how long, in terms of internal management, do we project the continuation of the operation. Internal management has no different view than the one I propounded here. There has been no secret conclave, or caucus, or meeting, or committee, or group which has attempted to project in definitive terms what is going to happen down the road some years in the future. I would far rather argue for this most vehemently as, of course, an action which we should be allowed to pursue flexibly according to the circumstances as they unfold.

Secondly, you asked whether we can foresee the termination of the train at some future date, under what circumstances this will happen and by what criteria and timing will we move, or something to that effect, in view of the fact that this is the last of the transcontinental passenger trains. Under what conditions? Certainly one condition is that the operation would no longer answer an effective demand. Another condition would be that there would be alternative forms of transportation available. Mr. Sinclair reminds me that the criteria in the Railway Act are that the company not be outweighed by the loss of public convenience and necessity as a test. Beyond that, I do not know of any that I can add. However, the national interest may be affected and will presumably be considered at the time.

Thirdly, you asked what passenger lines we want to abandon, with a table showing these lines that are now before the Board and others contemplated for the future. I think we have furnished the list showing those lines for which applications are before the Board and for which hearings have been held, others for which applications are before the Board and no hearings have been held, others for which applications are under suspension, and others which are under study. Those are the four categories and I know of no other.

Fourthly, you asked what alternate passenger trains of day liners we continue to operate on parts of the main line where there is inadequate service.

Mr. ANDRAS: Do you intend to operate any?

Mr. EMERSON: On parts of the main line where there is inadequate alternative service? There are two areas here. One area that occurs to me, of course, would be, under present conditions at least, that part of northern Ontario between White River and Sudbury. We do operate day liners in there now. They serve that area out of Sudbury and into White River. Of course, The Canadian stops there in general only at terminals and this service is already there in existence. As to other areas, you suggested Saskatchewan as a place where alternate service might be operated because The Canadian operates there at night. So it does. It must, of course, by necessity be some place at night. As a

matter of fact, The Canadian and The Dominion both operated at nights in parts of the system where there is no day service. In this general day and age when people have become so accustomed to travelling by other modes of transportation, where departures and arrivals take place in the night hours, it does not seem out of the way to anticipate that that might be acceptable for rail service also.

Fifthly, you stress the intangible aspects of the need for continued passenger service to open up undeveloped areas with reference to the pride and feelings that the Company has played in these areas and which, as I mentioned this afternoon, we hope that we can still continue to play in the opening up of these areas. Frankly, I am a little at a loss to know how continued passenger service will necessarily be very beneficial in opening up these areas. Let me put it to you this way: the areas which have opened up most recently in Canada such as Pine Point Mines, as the case comes readily to mind, was not opened up by a passenger service per se. It was opened up by air and by the MacKenzie Highway. There is a passenger service, I believe, operated on the Quebec north shore in Labrador, but that followed the opening up of the country rather than preceded it. I am a little at a loss to understand how this could be a very serious factor if there were suitable, proper and alternate modes of transportation available, which there generally are now in the way of a highway.

Next you ask for our reaction as officers and managers to packaging our overall profit opportunities and continue some unprofitable services in the national interest. When you say packaging our overall profitable opportunities, from what you said earlier I think you have in mind wrapping up together the rail and non-rail operations of the Company. This has been considered, weighed and rejected time without number. It does not make sense. It would not only be completely unfair, but it does not make economic sense because, for one thing, as has been pointed out, if the argument is that freight rates should be reduced, what happens when the price of lead and zinc goes up? Is the reverse going to happen? Is anybody going to take the other way? I do not think so. If we have a year in which we have a loss such as the \$7 million loss we had on airlines, are rail rates going to go up to offset this? And what happens to the other railways? You have to keep these things in their proper compartment. As I said, these things have been weighed fully, considered, explored and rejected.

Your other question was: do we now recover passenger losses from freight revenues. My answer to that would be firstly, the company does operate overall in a profitable position. I am now speaking of the railway operation. Therefore, necessarily its passenger losses are more than offset by its freight profits. However, the total profits picture of the railway is a very modest one, a 3.2 per cent on its investment, and it is substantially below even the very modest level of permissive earnings established by the Board of Transport Commissioners. Therefore, the real fact of the matter is that the passenger losses are largely borne by the shareholder, as it stands at the present time.

Mr. ANDRAS: The MacPherson Report says—

The CHAIRMAN: Mr. Andras, this must be your last question because you have already been on this for a full hour.

Mr. ANDRAS: In the MacPherson Report, with special reference to the passenger service problem, there was a very definite passage with an implication that passenger losses are a burden borne by the freight users. What you

have told me would indicate, in a general way, that this is so because you have come up with an overall profit. This is not a question to trap you but one that I would like to ask you for the sake of clarification. There could be two interpretations of it, and I am asking you for the proper one. It could be possible, as an exercise in your budget forecasting operation, that you have known and pretty well foreseen passenger loss coming up. You then might say that this is an overall overhead expense and you are going to set it back from the freight operation which is profitable. Is that the way it is done?

● (8:30 p.m.)

Mr. EMERSON: I can assure you we do not look at it this way. As I mentioned, the burden, in the primary instance, is borne by the shareholder because the earnings from the railway are smaller than the permissive earnings indicated by the Board and smaller by what any reasonable test shows as a reasonable return. Secondly, the railway, by virtue of having to bear the passenger losses, has lower profits than it otherwise would have and is therefore under more difficulty than it otherwise would have in raising capital to modernize, improve, enlarge, and extend its facilities for freight operations.

Mr. SINCLAIR: What the Board had in mind and the criteria of the Board in fixing the permissive level does take into account a return on the total investment. Therefore, passenger losses are transferred to freight shippers in so far as they are transferable under competitive pricing. That is what the Royal Commissioners say.

Mr. FAWCETT: Mr. Chairman, I am going to start by asking a very simple question. I see under the wages of the crews of the Dominion in 1964, \$144,904. Does that include porters, dining car staff, etcetera?

Mr. EMERSON: No, sir. That applies to train and engine crews, that is the engineer, the fireman, the conductor and the train man.

Mr. FAWCETT: I want to be sure about that because I could not see where it was carried here, unless it is under sleeping and parlour cars.

Mr. EMERSON: Are you asking about porters? They are under sleeping, parlour cars and dining cars.

Mr. FAWCETT: Here is another thing that has not been developed—this matter of bumping. I think that was left up in the air last night. It was more or less inferred that when jobs are abolished, people are displaced into some other service and that is it. However, is it not also true that when jobs are abolished, in the final analysis, for every job that is abolished there is a man out of work, unless there was work found for him in another department. Eventually this is going to get down to the spare board. And, if the spare board is maintained at a certain level, then the junior man will automatically become displaced as you go down the line and as a result for every man at the top that is displaced owing to the abolishment of his job there will be a man displaced out of the service.

Mr. EMERSON: That would be true if you lived in a static world, but we do not because, for one thing, you can have changes in traffic levels that require the addition of men in the train and engine service, and I think the Dominion is particularly a case in point because, with the cancellation of the train, the locomotives immediately became available for freight service and were placed in it. This, of course, meant the operation of more freight trains and the employment of more crews. The other thing that can happen is attrition because daily,

weekly and month by month there are men who are retiring or dying or moving out of the service for one reason or another who have to be replaced. So while at any point on any one day, as you say, the low man on the totem pole may be bumped, that may be only a very temporary thing, just until the next week when someone retires and he steps up.

Mr. FAWCETT: I understand that, but I have been around the railroads long enough to know that it can apply conversely too if the runs are abolished. Perhaps at the time "The Dominion" was taken off, business was picking up and therefore it did not affect us in the same way, but it could also happen conversely that it could be during a period when business was slacking off and as a result these men would be out of a job.

I understood Mr. Sinclair to say that snow removal was included under constant rather than variable expenditure. Would this apply to all snow removal?

Mr. SINCLAIR: From tracks.

Mr. FAWCETT: It would not apply to, say, snowploughs and scrapers?

Mr. SINCLAIR: Yes, we hold that as a constant cost as necessary to keep the line open. That is a constant cost—snow, ice and sand.

Mr. FAWCETT: And in no case would that be charged up to maintenance costs?

Mr. SINCLAIR: It is in the maintenance account but it is charged to constant; it does not vary with traffic.

Mr. FAWCETT: It would not be included in road maintenance costs as shown here?

Mr. SINCLAIR: No.

Mr. FAWCETT: Another statement of the brief was, I think, to the effect that in 1954 Canadian Pacific tried something that I would presume the Canadian National Railways—this is the inference—are trying now. I am going to comment on that because in 1954 when "The Canadian" went on Canadian National Railways also put on a fast train, speeded up the schedules, and generally upgraded the main line service to a point I think almost, if not completely, comparable to that of the Canadian Pacific Railway.

Mr. SINCLAIR: No domes, Mr. Fawcett; no stainless steel equipment, Mr. Fawcett.

● (8:40 p.m.)

Mr. FAWCETT: Nevertheless, up to date, modern equipment, the very best equipment.

Mr. SINCLAIR: Conventional style equipment, Mr. Fawcett.

Mr. FAWCETT: The very best equipment—I am not saying this because I am a Canadian National employee. The day coaches which they put on at that time were comparable to any anywhere—a heavier car, to begin with, and a better riding car. So I do not think you can say that Canadian National are trying now what Canadian Pacific experimented with in 1954.

Mr. SINCLAIR: They bought their first domes last year.

Mr. FAWCETT: That is true; they bought the first dome last year.

Mr. SINCLAIR: Second hand ones, Mr. Fawcett.

Mr. FAWCETT: Yes, but in 1954 they spent millions on up-to-date passenger equipment. I think the domes were the only things they did not come out with. They came out with a dinette—

Mr. SINCLAIR: Conventional—all conventional styling equipment.

Mr. FAWCETT: The dinette was new.

Mr. SINCLAIR: It was on O.N.R. before that.

Mr. FAWCETT: Pardon me for contradicting, Mr. Sinclair, but it was not the same kind. Pardon me for contradicting, but I have been around the railroads too long to accept that.

I would like to draw your attention to something Donald Gordon had to say which is contained in the judgment of the Board. I would like to read it into the record because this statement was made as late as October, 1965. This is what he had to say. I know Mr. Sinclair and Mr. Emerson probably will not agree with this, but nevertheless this is another president of a railroad talking:

For many years it has seemed to me that most railroads on this continent have tended to take a defeatist attitude about the possibility of providing comprehensive passenger service on a self-supporting basis. This has led to neglect of the application of modern market research and sales promotion techniques in this field. Also to a lack of interest in developing the kind of equipment and services required to satisfy today's traveller. C.N. however, has been taking a positive rather than a negative attitude towards its passenger services. We have given this part of our business careful analysis and we believe it can be made self-supporting by means of a strong imaginative sales effort and the kind of service that belongs to present-day living. Perhaps because this is in contrast to the general attitude, our activities in this area have received a marked degree of publicity.

I am not going to say Mr. Gordon is right and I am not going to get into any argument over this, but I think it is significant that Canadian National Railways fares on short runs at least are very little more than half the Canadian Pacific Railway fare, and there has been very little upward adjustment of Canadian National Railways fares. In this connection, I also infer that Canadian National will probably lose \$60 million this year in passenger service. I fully realize the country will have to pick up the tab if this is the case, but I would like to point out that this loss could be partly attributed to revamping a lot of old equipment. They bought a lot of old equipment from other lines, and they are revamping that. They are doing a clean-up job inside and out. They have trained hundreds of passenger personnel and paid them their lost time while they were training. I would imagine this amounted to a great sum of money. This is an experiment I will agree, but nevertheless I think it would account for a considerable amount of this deficit.

Mr. SINCLAIR: Buying equipment is capital, and repairs to purchased equipment, refurbishing and modernization is a capital charge not an expense charge.

Mr. FAWCETT: Would repairs be capital?

Mr. SINCLAIR: When he buys a piece of equipment from Milwaukee and modernizes it, certainly it is.

Mr. FAWCETT: I would understand the buying to be under capital, but not the repair.

Mr. SINCLAIR: Certainly under uniform classification of accounts he has to capitalize that; that would not be in his expense account.

Mr. FAWCETT: As I say, I do not know whether this \$60 million is a true estimate of the deficit.

Mr. SINCLAIR: Neither do I. I just pulled that off the ceiling.

Mr. FAWCETT: I quite agree there is a great change in the handling of express and LCL freight. I quite agree with you on that, Mr. Sinclair, but I think another thing that is pertinent is that Canadian National is running an express train.

The CHAIRMAN: Order, Mr. Fawcett. I have been listening to what you have been saying and I do not think this committee is concerned with the Canadian National's deficit or with what they are doing with their package freight. If it was brought in by Mr. Sinclair—

Mr. SINCLAIR: I did not bring it in.

The CHAIRMAN: I do not think it is relative to the discussions here. Canadian National Railways will be appearing before us on their own estimates when they come up.

If you can relate your questions to the Canadian Pacific Railway passenger service we can get along much faster. I do not think your line of questioning on the Canadian National Railways deficit has anything to do with this committee.

Mr. FAWCETT: With due respect, Mr. Chairman, I am not trying to explain any deficit. I am trying to point out that evidently on the Canadian National Railways they do figure that a combined train carrying express and mail does pay, because they are definitely keeping that train on. I think it is significant that it is being left on.

I hope you do not think I am trying to come to the rescue of the Canadian National Railways all the time, but another thing that struck me the other night was the matter of train connections at Brockville between Canadian National and Canadian Pacific. The Canadian Pacific train left five minutes ahead of the Canadian National train.

The CHAIRMAN: Is this passenger service?

Mr. FAWCETT: Yes.

Mr. SINCLAIR: Yes, this is the Brockville connection which was discussed with one of the gentlemen here.

Mr. FAWCETT: The point I have been trying to make is—and I do not think this is in defence of the Canadian National in any way—that I inferred there was a lack of cooperation between the two. I would like to point out in this particular instance that a Canadian National train or any other train working under standard operating rules cannot run their trains ahead of time. Therefore, the only thing Canadian National could have done in this instance was to have put out a new working timetable, which is quite a costly thing. On the other hand, I believe Canadian Pacific could have run their train 10 or 15 minutes late and made that connection. I think this would have provided considerably more convenience for the passengers concerned.

Mr. SINCLAIR: In any event, it is no longer in issue; this was resolved.

Mr. FAWCETT: But it is a point that was left up in the air.

Mr. SINCLAIR: They could have left five minutes earlier. We had to put out a new working card.

Mr. FAWCETT: Am I to understand Canadian Pacific's "Canadian" does not make a profit even in peak months?

Mr. SINCLAIR: That is correct.

Mr. FAWCETT: It does not make a profit?

Mr. SINCLAIR: That is correct.

Mr. FAWCETT: That is all I want to know on that score.

Did I also understand you to say that Canada Car have stopped making railway equipment?

Mr. SINCLAIR: Passenger equipment, yes.

Mr. FAWCETT: Is this because there are no orders?

Mr. SINCLAIR: As I say, I do not know anybody who has made them in the last seven or eight years. Nobody on the North American continent is making them.

Mr. FAWCETT: Could this be because they are not ordering the equipment?

Mr. SINCLAIR: Well, if all the railways in North America are not ordering it, of course they are not building it.

Mr. FAWCETT: There is no demand for it then. The point I am trying to make is this. Evidently neither of the two major railroads are interested in ordering new equipment. That is the only point I am trying to make in this respect. I know that Canada Car are equipped to make this type of thing.

● (8:50 p.m.)

Mr. SINCLAIR: Are they? No, they are not any more. They are right out. All the jigs have gone; all the machinery has gone. They cannot make them any more.

Mr. FAWCETT: This is, naturally, because they were not getting any orders.

Mr. SINCLAIR: They are not even making freight equipment any more, Mr. Fawcett.

Mr. FAWCETT: Not in Montreal?

Mr. ROCK: Canada Car does not even exist any more.

Mr. ANDRAS: Of course it does.

Mr. ROCK: But not in Montreal.

Mr. SINCLAIR: They are making buses and highway trailers.

Mr. FAWCETT: There is something else I would like to have cleared up. In connection with the Crow's Nest Pass line, you mentioned certain grants of land and so on and so forth. These grants have no bearing on the original grants of the Canadian Pacific Railway?

Mr. SINCLAIR: No, none whatsoever. These were grants basically from the British Columbia government to the British Columbia Southern, which is a company the Canadian Pacific Railway took over.

Mr. FAWCETT: This was at a much later date?

Mr. SINCLAIR: No, they were disposed of approximately in the period 1897 to 1912—around that period, at the same time as we were disposing of lands under the original grant.

Mr. FAWCETT: They would have no bearing on the building of the main line?

Mr. SINCLAIR: No, they would not, you are quite right.

Mr. FAWCETT: Thank you. That is another thing to which I thought I had the answer, but I just wanted to be sure.

I will just go back to this one point which I think Mr. Cantelon made. I do not know whether there has been an answer to it; if there has not, you can let me know some time what it is. Has there been any appreciable amount of research in this country on different types of equipment which might lead, as Mr. Cantelon suggested, to reducing the types of service to say two or three to be provided on a train rather than having all these various types?

Mr. SINCLAIR: Yes, certainly there has been research as to types of equipment, into all-reclining-seat trains for example. Things like that have been operated. Yes, there is a lot of experimentation being done on lines between Detroit and Chicago and New York City and Chicago and down in the southern states. For example, Slumber Coaches was quite a name.

Mr. FAWCETT: I was thinking of the transcontinental service.

Mr. SINCLAIR: That is what I am thinking of—long term.

Mr. FAWCETT: It was mentioned before and I know it is a fact that Canadian National Railways to have taken off trains on branch lines.

Mr. SINCLAIR: Montreal to Washington, yes; but that is not a branch line.

Mr. FAWCETT: Well, it is not a transcontinental line either.

Mr. SINCLAIR: It all depends where you live.

Mr. FAWCETT: The transcontinental line is the one in which I am interested.

Mr. Chairman, I will pass.

The CHAIRMAN: Mr. Bell.

Mr. BELL (*Saint John-Albert*): Mr. Chairman, I will be very brief, mainly because I feel that the more opportunity that is given to the officials to answer our questions, and to answer them in the satisfactory way in which they are answering, the more difficult our position is becoming here. I do not criticize anybody's questioning and I do not even consider the merits of the case; but I think we have to get down to some of the meat with the experts, and then refer later to the officials of the company. For example, the cost figures bother me. I would be interested in expert advice here, for example: \$23.9 million has been mentioned as the deficit in the passenger train service. There is no estimate available of the net saving in this amount that "The Dominion" will give.

Mr. SINCLAIR: No, because part of the adjustment in "The Dominion" service took place in 1965.

Mr. BELL (*Saint John-Albert*): It has been suggested to me that I may have left the impression that our officials here are not expert. I simply meant that I hope the opportunity will be available to the committee to hear independent cost analysts.

The CHAIRMAN: We have already discussed that, Mr. Bell.

Mr. BELL (*Saint John-Albert*): This would be significant to me. Does Mr. Sinclair feel that any cost analyst would be able, working with figures he might make available, to give us a figure?

Mr. SINCLAIR: Yes, he might object, as the Board might object, to the factor we used in the cost of money at $6\frac{1}{2}$ per cent. He might take the position, as did the Board in "The Dominion" case, that certain items should be

disallowed in the figure. "The Dominion" judgment makes it clear that in the appraisal the Board makes in this kind of case they are looking for a rock bottom figure. We do not accept, just because they do that, that the criteria we have put into these costs are necessarily wrong.

I am quite sure that the Department of Transport or the Board's costing section could take a look at our figures, and we would be very glad to make our working papers and everything else that was required available to anyone assigned by the committee.

Mr. BELL (*Saint John-Albert*): Thank you.

My second question is with respect to this term "effective demand". Is it fair to say that this expression, while it may have been used in isolated economic text books through the years, never actually appeared in any transport hearings and the like, and that the first important appearance of it in this connection was in the government resolution? And I think I know where it came from.

Mr. SINCLAIR: I would suggest it is a synthesis of a lot of words into a very effective phrase that very succinctly puts the point.

Mr. BELL (*Saint John-Albert*): Whether we like it or not, it is a Pickersgillian phrase that has become the folklore of the country.

Mr. SINCLAIR: I do not think it is a Pickersgillian phrase, no. I would not give him credit for it, no. Maybe it is a phrase of Adam Smith or someone like that.

Mr. BELL (*Saint John-Albert*): Would it be fair to say, in layman's language, that there are three broad economic factors in this term—the number of passengers, the revenue and the costs?

Mr. SINCLAIR: Well, I do not just know what you mean by the number of passengers. The number of passengers over a given distance equals revenues, on the basis of rates.

Mr. BELL (*Saint John-Albert*): No, I am leading up to fares, and I am trying to divide revenue and passengers.

Mr. SINCLAIR: Well, numbers of people if they paid nothing would equal no revenue, so I am not following you.

Mr. BELL (*Saint John-Albert*): What I am looking to is the consideration that this committee will have to give to the fare problem. We have your statements on the fare-saver plan, and I find it very hard to reconcile it in my mind with the reason for which you embarked on the program, when it seems almost impossible from what you tell us now that you could have really broken even on it.

Mr. SINCLAIR: Do not forget that the costs marched on quite quickly from the fall of 1963 into 1965. They marched on at quite a pace. We had three or four general wage increases in the period from September-October, 1963, to 1965. Maybe we can look this up to give you the precise information. However, they were significant. Then, there have been significant increases in the prices of materials, particularly in the last year.

Mr. BELL (*Saint John-Albert*): What I am really interested in is just asking, in the same light as my first question, whether Mr. Sinclair thinks that independent experts would be able to give us some sort of rundown on this fare

matter, because I feel it is an important factor in this effective demand definition or term that has been invoked.

Mr. SINCLAIR: I would think the Board of Transport Commissioners have dealt with the matter. They have found five cents per mile to be just and reasonable. That was argued before them with the specialists from the provinces and their experts appearing.

Mr. BELL (*Saint John-Albert*): This five cents—

Mr. SINCLAIR: That is the maximum you may charge, the ceiling.

Mr. BELL (*Saint John-Albert*): There is a difference between the competitive and non-competitive points, and the like?

Mr. SINCLAIR: In some areas, yes; in some, no. One of the most competitive places I know is Toronto-London, and there is a five cent basis there. Another highly competitive area is Montreal-Sherbrooke; it is five cents there. There are examples of competitive areas and examples of non-competitive areas.

Let me give you an example. The bus fares from Montreal to Ottawa on the north shore route are higher than the Colonial Coach Lines fares from Montreal to Ottawa on the south shore route; they are about double on the north shore route.

● (9:00 p.m.)

Mr. BELL (*Saint John-Albert*): Would it not have been fantastic for you people to have made your costs with this fare-saver plan? Was it not a public relations gimmick, really, at the time?

Mr. SINCLAIR: Oh, no. No, it was not a public relations gimmick.

Mr. BELL (*Saint John-Albert*): Were you not forced into it by the Canadian National Railways?

Mr. SINCLAIR: I do not think we were forced into it in any respect at all. We were quite willing to see what it could do. We actually put it in in advance of the Canadian National Railways in southwestern Ontario. They followed us. You see, they first put it in on an experimental basis between Montreal and Halifax on "The Nova Scotian". Then they extended it and we applied it uniformly into southwest Ontario; and they followed us in that regard. So we were a free agent.

Mr. BELL (*Saint John-Albert*): My last question, Mr. Chairman, deals with the matter of the national interest, which I feel is developing as one of the most important points that we may have to consider when we make our final recommendations.

I mentioned the Saint John-Digby run, and I think this is an example which will illustrate my point, although I suggest that it has some application to "The Canadian" and it also has a connection with the service that Mr. Deachman talked about between Vancouver and Vancouver Island.

You told me, Mr. Sinclair, when we were speaking about the ferry from Saint John to Digby, that you were giving good service. I do not perhaps quarrel with this, but there are many who feel it should be better. I think you said something to the effect that it is as good a service as is justified.

Mr. SINCLAIR: It is an excellent ship; it is well crewed.

Mr. BELL (*Saint John-Albert*): Then may I put it in this way—if better development were desired, you people would perhaps not be interested in this unless you could see the immediate revenue prospects?

Mr. SINCLAIR: I think it was Mr. Crump who said we had made a lot of studies in respect of a car ferry; that is, a ferry that could handle railway equipment. I have read these reports. We had independent engineers, and we took a look at this both in Canada and from Europe. We saw the costs involved, they were rather staggering. So, I do not think that in the light of the cost involved any private company could put in a car ferry there.

Mr. BELL (*Saint John-Albert*): I am not actually quarrelling with this but it gives me a chance to make the point that I have in my mind, although it is not very well developed at this stage. However, as I say, I feel it is important for this committee to consider the matter. This service evidently is not a great revenue-producing proposition at the moment so therefore there is not going to be any great expansion in it, and I suggest we have to consider at what point the national interest comes into the picture. How far would deterioration be allowed to take place before the national interest would be considered and in some way take over this type of arrangement? I suggest this has the same application as "The Canadian".

Mr. SINCLAIR: As a western Canadian born, I would certainly agree that a very strong case could be made for continuing, in the national interest, a connection across the Bay of Fundy by ferry between New Brunswick and Nova Scotia. I would not argue against that at all.

Mr. BELL (*Saint John-Albert*): What I am trying to say is if there is a guarantee, say, to continue the Canadian for a certain number of years in the future, this does not mean anything to me if there is going to be, for perhaps legitimate reasons, a deterioration in that service. I think the time will have to come in the Digby-Saint John's service, in the Canadian and many others, when some criterion will have to be set up, at which time the government will have to step into this picture because the Canadian Pacific is not going to say that it cannot operate this any more and it thinks the government should take over. But, this service across the Bay of Fundy is a national artery and is almost akin to a highway.

In my opinion, the Canadian Pacific is giving a satisfactory service, but I think it could be better, and I think a greater further development is needed in this respect. I am not blaming the Canadian Pacific for interesting themselves in it, but I am wondering at what stage does the federal government become involved in the national interest. We had an example in Vancouver of a deterioration and the provincial government took over.

Mr. SINCLAIR: As I say, that arose following a long strike. There was another company in there in addition to ourselves. I think the situation on the west coast is quite different. However, the question that is involved is the national interest, as set forth in the Royal Commission on Transportation and, if the legislation was passed, it would automatically follow, once the national interest factor came into it, that any deficits would be covered by grants. You see, —this was one of the jobs of the Royal Commission and one they struggled with a great deal in order to draw a distinction between national policy and the national transportation policy. I would think that elected representatives of the people, members of Parliament, would be the ones who, of course, would be dealing with national interest matters because that is their job. If the recommendations of the Royal Commission had gone through and there was a finding

that a certain service was necessary in the national interest, this would be covered by a provision with regard to grants to maintain it.

Mr. BELL (*Saint John-Albert*): Well, I think that is the point we have to arrive at in this whole business. For example, Prince Edward Island is going to be connected to the mainland. Now, there is a very important part of Nova Scotia connected with southern New Brunswick; they are going to get the very best possible facilities to Prince Edward Island. Now, I am not criticizing the Canadian Pacific because I think they have done a very good job under all the circumstances, but I do feel that the people, in the national interest, or under the guise of national interest, have the right to demand greater consideration with regard to development for the future of this service, and I am wondering how this is actually going to take place. The Canadian Pacific obviously is not going to stand up some day and admit that it was not doing the best it could, that it is not up to the general Canadian Pacific standards. When is the government going to move in here and take it over or, at least, subsidize it. I do not recommend, as Mr. McIntosh has done, that this whole business be nationalized.

Mr. MCINTOSH: I had not completed my statement in that respect, but I will be doing so.

Mr. SINCLAIR: Even furniture stores in Swift Current, Mr. McIntosh.

Mr. BELL (*Saint John-Albert*): But, I think there is justification for fully extending the services here. As I say, I do not blame the Canadian Pacific who probably under their existing revenues are getting completely involved in speculation for the future in this connection. I am wondering where the breaking point is. Will there be a deterioration, as in the case of the Dominion, or when are we going to know. Should approaches start now to the government? This is my dilemma, and I feel the committee has to deal with it because of the problems involved, and also because of the implications and the lessons we have learned with regard to the Canadian.

Mr. SINCLAIR: Mr. Bell, it was not the transportation company that suggested the building of the causeway to Prince Edward Island.

Mr. BELL (*Saint John-Albert*): Mr. Sinclair, I get your point; even with my thick skull I think I have caught on. We will start to take appropriate action.

● (9:10 p.m.)

Mr. EMERSON: I think that within the last two or three years we have made substantial changes and I hope that you do agree with some of the improvements in that service. There has been provision made for a newer vessel and, very recently this year, for the installation of what was called a bow thruster on the vessel to enable here to navigate more easily and quickly. However, I think there has been an improvement and I hope you understand that.

Mr. BELL (*Saint John-Albert*): I think the reaction has been very good, but I am concerned, really, with the future long term plans. When the future of the Digby wharf went up in the air, this caused a great deal of animosity, and I am wondering if there is a responsibility for the government in this. I am just wondering where it begins and ends. I do not blame you people for not taking a definite position on it, but I feel we have a responsibility here as members of Parliament. I just mentioned this, Mr. Emerson, because I see similar implications for the Canadian. When would the government step into a picture such as this? When does the deterioration start, and what is the breaking point?

Mr. SINCLAIR: Well, I hope they would not do it until we give it a try.

Mr. PASCOE: Mr. Chairman, I agree we should make an effort to conclude this phase of our hearings tonight. I would like to continue along the same line as Mr. Bell, but I think I will leave that until another time.

I just have two or three definite statements to make, and then I would like to put a few questions. However, first of all, I would like to give my own personal impressions of these hearings so far.

I think it is a fair statement to say that if Canadians across the country could sit in on these hearings there would be very considerable weight of opinion voiced that under the 1881 covenant the Canadian Pacific is obligated to do more with regard to passenger services than just take a straight look at the business end of it—and I am referring particularly to the passenger service. As I say, I will not pursue Mr. Bell's arguments now nor the view of the civil officials of the eight cities from Calgary to Winnipeg. Perhaps at another time we certainly can go into that more fully. But, earlier this morning Mr. Sinclair read from a newspaper report of a statement made by the Calgary Chamber of Commerce with regard to the fact that the cancellation of the Dominion had very little effect on the community. Well, that is not in line with what others have said. The eighth mayors of the cities from Calgary to Winnipeg met in Moose Jaw, and that was not their impression. I would like at this time to put one or two quotations on the record—and I will be very brief.

A Medicine Hat official, a public works director, said:

Since the Board of Transport Commissioners has not weighed the social and economic impact to the communities on the Canadian Pacific main line when the Dominion was curtailed it was up to the Federal Government to do so.

The mayor from Swift Current said:

My city stands to lose a great deal with the Dominion curtailment.

The mayor of Calgary said he would rather see an attack on the Railway Act to bring it into line with the present day conditions, and if the C.P.R. is not interested in passenger service, let us get a railway that is interested.

The mayor of Regina said that with western Canada providing the C.P.R. with millions in wheat, oil, cattle and potash hauling, they not only deserve passenger service, but they should be getting a stepped up service.

I will give one more to indicate the trend of this. The Chairman of the Brandon Transportation Committee said: "The time to fight the C.P.R. for the Dominion is long past; we must make our efforts felt with the Federal Government."

Now, I think that is all I need to say in that connection. I would like to follow-up Mr. Bell's reference to expert testimony; this is a Civil Service notice that just came in with regard to cost analysts, and I quote:

Under direction, to do research into the costing methods of companies under the jurisdiction of the board; to verify the accuracy and analyse for board purposes.

I am wondering if that is the sort of expert testimony we are going to have.

The CHAIRMAN: We have discussed this matter on many occasions and I will be taking it up with the subcommittee at 1 o'clock tomorrow. But, may I say

that we will be calling expert witnesses, analysts, and officials from the Board of Transport Commissioners, as well as others.

Mr. PASCOE: I will just confine myself now to these direct statements. As Mr. Sinclair said, the mail of the Dominion was taken off in June, 1965. Was that at your request and, if so, for what reasons?

Mr. SINCLAIR: Well, we gave a service by fast freight, what we called the 921, and we had a later departure out of Toronto by using that. We also gave them certain set-out privileges that were more in keeping with modern mail despatch than would be the case in handling it under the prior arrangements.

Mr. PASCOE: Then, you are still transporting the mail?

Mr. SINCLAIR: We are transporting a lot of it. Some of it moves short haul by highway, again giving it better service.

Mr. PASCOE: There has been a lot of references to rail liners in the area I come from because that area will not be served very well by the Canadian. As you know, problems are involved with early times and the procurement of reservations on that train. I still would like to suggest that you try a rail liner service.

Mr. SINCLAIR: I remember a mayor—and I think perhaps he was from Medicine Hat—suggesting that perhaps the cities should run it. Are you suggesting something along those lines?

Mr. PASCOE: I am not supporting that view; I am suggesting that the Canadian Pacific do it.

Mr. SINCLAIR: I thought you were suggesting the cities. But, this sort of thing has been done in the United States, out of Philadelphia, where certain train services were put on, and any deficits were covered by the cities which asked for these services. We would be prepared to look at a cost plus arrangement and run it with the city underwriting the deficit.

Mr. PASCOE: I have here a quote from the *Moose Jaw Times-Herald*, which cites the case of a man who purchases a C.N.R. ticket from Regina to Winnipeg via Saskatoon, costing \$19.50 one way, with roomette accommodation. The traveller motors due north from Moose Jaw to Chamberlain, a distance of about 35 miles, puts his car in a garage there, and boards the day liner for Saskatoon at 7.02 p.m. On arrival in Saskatoon at 9 p.m., the traveller gets into a sleeping car, which leaves with the 11.25 p.m. main line train for Winnipeg.

I think a dayliner would be worth while to catch up with that particular service because there is a great deal of travel in that direction.

Mr. SINCLAIR: Well, the board looked into this and it is covered in their judgment. If we are wrong in our assessment of it and the mayor of Medicine Hat and the others are right then we would be prepared to run it for them and negotiate with them on a cost plus basis.

● (9:20 p.m.)

Mr. PASCOE: Have you any day liners available?

Mr. SINCLAIR: All we have is 54, and they are all assigned. However, the run from Brandon to Medicine Hat is quite a run, there and back, in one day with one dayliner. I do not think you could do it. There would have to be two. This would mean taking them from some other service that they are now in, and there are none available. The Budd Company started making them but they have not been made for seven or eight years.

Mr. PASCOE: Do you mean they stopped making them now?

Mr. SINCLAIR: Yes.

Mr. PASCOE: I have one more question. I understand that you are getting 32 of these 3,000 horsepower diesel locomotives. Will they replace any of the other diesels for passenger service?

Mr. SINCLAIR: No. We have 20 locomotives for passenger service. We have presently 50 locomotives under lease from the United States line, and there is a great deal of difficulty in getting those. As I indicated the other day, some of those have to go back, and we are very very tight on motive power.

Mr. PASCOE: Are you ordering any more diesels for passenger service in addition to those?

Mr. SINCLAIR: No. Those are freight pieces.

Mr. PASCOE: Have you any orders for any more?

Mr. SINCLAIR: No. We have 20 in our inventory, and 28 passenger diesels at the present time equipped with steam generators.

Mr. PASCOE: I read this report from Mr. Spencer, where he said: "To avoid serious inconvenience to the public, additional accommodation and services are being provided with train, Canadian." Now, what additional service can that provide?

Mr. SINCLAIR: Extra cars and additional stock. For example, we ran a heavier consist on the Canadian in the month of September this year than we did a year ago. The carryings on it were lighter, and that is what he meant.

Mr. PASCOE: How many coaches could you carry?

Mr. SINCLAIR: It depends what time of the year it is.

Mr. PASCOE: Well, how much would you average: how many passengers would a full consist carry?

Mr. SINCLAIR: It would carry 320 or 330.

Mr. PASCOE: Mr. Chairman, I have just one more final observation. I have noticed how well the Canadian Pacific fought back with regard to carrying automobiles by making a special effort in that connection. I think they should follow the advice and courage of those who started the Canadian Pacific, and fight back for the passenger service.

Mr. SINCLAIR: I think we have.

Mr. PASCOE: You have fought back all the way?

Mr. SINCLAIR: Yes, and I think we are pretty good fighters.

Mr. OLSON: Mr. Emerson, you or Mr. Sinclair said there were no earnings transferred from any subsidiary company to pay for the passenger deficit. Is that correct?

Mr. EMERSON: I did not say that. I said the passenger deficit or the passenger loss was more than made up by the profit, if you like, on freight, so the net result of the two was a relatively modest profit on the whole railway operation.

Mr. OLSON: But, there were no earnings from, for example, Canadian Pacific investment, Marathon investment or any subsidiary companies that were put in the railway operation to help pay for this deficit on the Canadian.

Mr. EMERSON: No, that is correct.

Mr. OLSON: And, during the month of January, 1965, according to press reports I have in front of me, you did report net earnings of \$1,601,000 for that month.

Mr. EMERSON: Did you say January, 1965?

Mr. OLSON: Pardon me, 1966. This was an increase of \$426,000 over the same month for last year.

Mr. EMERSON: That may be so. This is a very modest net from the operation of this whole railway across this country, working harder than it ever has before in its life.

Mr. OLSON: Yes. At least, I hope they are working as hard as they can. Then it would be fair to assume that there are some freight rates probably that could be reduced if you do not have this passenger deficit from running the Canadian?

Mr. EMERSON: Some that could be reduced?

Mr. OLSON: Yes.

Mr. EMERSON: No, I would not hook the two in that way.

Mr. OLSON: Well, the money would have to come from some place, would it not?

Mr. EMERSON: I am sorry, but what money?

Mr. OLSON: The money to pay the deficit on the passenger operation.

Mr. EMERSON: Well, first of all, of course, you would have to reach the point where the company's earnings reach the permissive level established by the board.

Mr. OLSON: Then, Mr. Sinclair said—or, I think he said; and correct me if I have misinterpreted it—that passenger deficits are transferred to freight in so far as it is possible, considering the competitive mode of transport.

Mr. SINCLAIR: Yes, that is close enough; in so far as competitive prices permit, that is what he said.

Mr. OLSON: If you cannot change this competitive mode of pricing then it would be the non-competitive or the shippers that are paying these deficits.

Mr. SINCLAIR: To a degree, yes, in so far as it is not being paid by the shareholders. The highest rates, of course, that we have are competitive on a 100 pound basis.

Mr. OLSON: You also said that some of the provinces had called expert witnesses before the Board of Transport Commissioners; are you suggesting that any of the provinces ever have called expert witnesses before the Board of Commissioners' hearing respecting passenger services?

Mr. SINCLAIR: Oh yes.

Mr. OLSON: When?

Mr. SINCLAIR: Let me see now. At the time of the MacPherson Royal Commission there was, if I can remember some of them, a Dr. Borts from Brown University.

Mr. OLSON: Was he dealing with passenger service?

Mr. SINCLAIR: He was dealing with costing in its totality. Then, there was Dr. Williams who I quoted, and he is an economic analyst.

Mr. OLSON: I am aware of this.

Mr. SINCLAIR: I would call Dr. Williams a costing expert.

Mr. OLSON: I am sure I would too. But, what I am wondering about is this. You left the impression he was called and cross-examined specifically with regard to passenger train costing and so on.

● (9:30 p.m.)

Mr. SINCLAIR: I think questions were put to Dr. Williams along this line.

Mr. OLSON: Well, were there any expert witnesses called by the provinces or anyone else, for example, in respect of the Dominion.

Mr. SINCLAIR: They had every right to call them, if they wanted to do so. Everyone who wanted to appear could appear, and the provinces did appear. I think Manitoba appeared; Saskatchewan appeared; Alberta and British Columbia appeared, and they could have called whatever witnesses they wanted. They had all our data in advance and could have called whoever they liked.

Mr. OLSON: Are you suggesting, Mr. Sinclair, that the provinces had time from, I believe it was, September 15 to September 27 to analyze your evidence and prepare expert evidence?

Mr. SINCLAIR: Oh, certainly.

Mr. OLSON: You are saying they had plenty of time?

Mr. SINCLAIR: Oh, certainly. You would be surprised how quickly some of these people can work. It does not take that long. And, that went on until October, I think. For instance, if the province of Alberta wanted to call somebody in October, say, at the end of October they could have called them, and that would have given them two months.

Mr. OLSON: You are inferring that it was onerous on the part of the *Can Pac Pacific* to prepare for this hearing but it was not onerous on anyone else.

Mr. SINCLAIR: Pardon me, Mr. Olson, but I thought I corrected that once before. I said the most onerous type of order—and it is most onerous—would you take a look at that order; I have been looking at them for over 20 years. I say to you that there was never an order issued by the board that put the onus so definitely on the Canadian Pacific as this order did in the case of the Dominion. I think a specialist in transportation law certainly would agree with that. That was a very, very onerous onus to put on.

Mr. OLSON: In my humble opinion I agree that it was onerous too but what I am trying to get at here is that it was equally or even more onerous on the people who were not as familiar as you were with the cost of this operation.

Mr. SINCLAIR: No, no. What generally happens, Mr. Olson, is that evidence is given and people who wish to appear are cross-examined. But in this case you gave your evidence; the cross-examination took place, and you went on to the next place. You summarized your evidence and a recross-examination took place; you went on to the next place and a re-recross-examination went on. You went to the next place and a re-re-recross-examination took place.

Mr. OLSON: Is this the way expert witnesses prepare themselves to go into the witness box and give their opinion of analysis of these costs?

Mr. SINCLAIR: This is what they asked Canadian Pacific witnesses to do, but anybody else's witnesses could come, whenever they liked, and they appeared once, and if the company wanted to cross-examine, well and good. But they could not be recalled or anything like that.

Mr. OLSON: Well, Mr. Chairman, I am not going to pursue this any further because we are not going to agree anyway. But I would like to make the comment that if it was difficult for the C.P.R. to prepare themselves for that hearing within the length of time it was equally and far more difficult for any other expert outside of the company to be prepared for it; and the point that I think is important to the committee is that there has not been an examination of the costs reflecting "The Dominion" by anyone other than people within the company.

Mr. SINCLAIR: No, that is quite wrong Mr. Olson, definitely wrong—and the judgment said so. They were gone into by the Board staff and, indeed, the Board people came to Montreal, looked at the working papers and asked for certain explanations, and received them. That is stated in the judgment.

The CHAIRMAN: Well, I want this subject to be dropped. I think we discussed it before and we are not going to resolve it, Mr. Olson, as you say. Would you move on to your other questions.

Mr. OLSON: I think that is true. Now, Mr. Emerson, I would like to ask you if in this \$1,601,000 net earnings that you show for January of 1966, if this was calculated before or after the freight reduction act, or included the freight reduction subsidy?

Mr. EMERSON: Including provisions for the receipt of the moneys due us under the Freight Rates Reduction Act, yes.

Mr. OLSON: Supplementary estimates were not introduced in the House until after January. You were pretty sure you were going to get it?

Mr. EMERSON: No, I am not saying we were sure we were going to get it but we hoped and anticipated so and, in fact, in keeping with the practice that has developed over some years now when there has been delays in resolving this matter we have informed by prior advice, the Minister of Transport that the reductions which were made under the act had been continued in force in the expectation that the government in due time would make provisions for the payments of the amount due the railway.

Mr. OLSON: How much of the \$70 million was payable to the C.P.R. for, let us say, for the 1964-65 fiscal year?

Mr. EMERSON: What \$70 million?

Mr. OLSON: Well \$70 million is the amount provided for in the estimates to the railway for this particular subsidy.

Mr. EMERSON: Well, I think you are mistaken about that. The \$70 million would include two amounts presumably; It would include the amount under the Freight Rates Reduction Act which is about \$20 million and the amount under the MacPherson interim payments which is about \$50 million.

Mr. OLSON: Right. That is what I am talking about.

Mr. EMERSON: Yes, so they are two separate amounts.

Mr. OLSON: Yes. Well how much of the \$70 million did the C.P.R. get?

Mr. EMERSON: Oh, out of that total we would get about \$26½ million.

Mr. OLSON: And you say that a portion of that \$26½ million, in fact, was calculated into these net earnings for January 1966.

Mr. EMERSON: That is correct.

Mr. OLSON: Now, Mr. Emerson, in the cost figures which you supplied respecting "The Dominion" you show this item of \$1,932,000 for road maintenance. Is that the allocated costs to "The Dominion" for road maintenance all the way from Montreal to Vancouver?

Mr. EMERSON: Yes, that would be the whole amount, certainly.

Mr. OLSON: What about the \$7 million that you get under statutory items for road maintenance between Sudbury and Fort William?

Mr. EMERSON: Well, this is related to the road maintenance in toto and has not any specific relationship to the other amount which you mentioned which, in fact, is reflected in an adjustment in freight rates moving over that area.

Mr. OLSON: But if you charged up all of the road maintenance from Montreal to Vancouver and then apportioned this amount to "The Dominion" then it would be less by the amount of this \$7 million subsidy, would it not?

Mr. SINCLAIR: You do not understand where the figure came from. The figure of \$7 million which you are making reference to came out of the Targeon Royal Commission of 1950.

Mr. OLSON: Excuse me, Mr. Sinclair. The \$7 million that I am referring to is what was in the estimates and payable to the C.P.R. last year.

Mr. SINCLAIR: No, it was not payable to the C.P.R. It was payable in regard to the bridge subsidy and a reduction in freight rates was given. The Targeon commission arrived at it on the basis of applying what then might be determined to be a road maintenance cost in that area and said on east-west traffic normal class and non-competitive commodity rates were to be reduced by so much, and the tariff does reduce them, and the receiver or whoever pays the freight gets the difference between the reduced rate and the rate that otherwise would be in effect, and the government pays the railway that difference.

Mr. OLSON: Are you suggesting to me, Mr. Sinclair—

Mr. SINCLAIR: The \$7 million is for both railways.

Mr. OLSON: Are you suggesting to me, Mr. Sinclair that there is something wrong with the wording in this. Because it specifically states in the estimates that this is for road maintenance, between these two points.

Mr. SINCLAIR: This is the way they set it up but it is related directly to a reduction in freight rates known as the bridge subsidy and you have to—

Mr. OLSON: Each railway?

Mr. SINCLAIR: That is for both railways, Canadian Pacific and Canadian National and you have to file with the Board of Transport Commissioners your traffic that moves and the rates that you put in and the differences on the rates that would otherwise apply are made up out of this \$7 million.

Mr. OLSON: Well, we will take this up with the Minister of Transport.

Now, Mr. Emerson, I would like to ask you if the company is now able to give us a more detailed breakdown of this train.

Mr. SINCLAIR: It is all covered by section 468 of the Railway Act.

Mr. OLSON: This bridge subsidy—

Mr. SINCLAIR: "Subject to the provision of this section, the Minister of Finance may, when authorized by the Governor in Council, pay out of the consolidated revenue fund.

- (a) to the Canadian Pacific Railway Company an amount equal to the annual cost of maintaining the trackage between Sudbury and Fort William on its transcontinental line of railway, and
- (b) to the Canadian National Railway Company an amount equal to the annual cost of maintaining trackage corresponding in extent to the trackage mentioned in paragraph (a) between Capreol and Fort William and between Cochrane and Armstrong on the transcontinental lines of Canadian National Railways.
- (2) The Board of Transport Commissioners for Canada shall determine the annual cost of maintaining the trackage for which payment may be made under this section and shall fix the extent of such trackage in respect of each company.

● (9:40 p.m.)

- (3) The amounts paid under subsection (1) shall not in any year exceed seven million dollars in the aggregate.
- (4) When the cost of maintenance of the trackage on the lines of railway specified in subsection (1) exceeds in any year the sum of seven million dollars, the payments authorized by subsection (1) shall be apportioned between the companies according to the amounts expended by each company on the maintenance of its trackage.
- (5) The amounts paid under subsection (1) shall be applied to a reduction in the relative level of rates applying on freight traffic moving in both directions between points in eastern Canada and points in western Canada over the trackage to which the payment relates, in such manner as the Board may allow or direct.

Mr. OLSON: Well then you do not regard this \$7 million, or your portion of this \$7 as being applicable to road maintenance at all?

Mr. SINCLAIR: It is a freight payment to the shipper.

Mr. OLSON: All right.

Mr. SINCLAIR: The Act says so.

Mr. OLSON: Regardless of what it says in the Act. Well Mr. Emerson, could we have a more detailed breakdown of these \$20,828,000 worth of variable costs for 1964? The reason I think we need this is that if the committee does decide that they want some expert costs consultants to look at the figures, it seems to me that we need far more detail than we have here.

Mr. EMERSON: You understand that the Board itself has done it in this manner.

Mr. OLSON: Perhaps they have but some of us may not be completely convinced that the Board of Transport Commissioners have a sufficient or adequate costing branch, and we may like to ask some independent cost consultant to analyse these figures and give us his opinion.

Mr. SINCLAIR: As I said earlier, Mr. Chairman, if the committee wants to call experts and wants some information from us we will be very glad to co-operate with them and make the data available to them. I said that, I think earlier, Mr. Chairman.

Mr. LEWIS: Well why cannot that be given now or some appropriate time when you have it. Why do you have to wait to give it.

Mr. OLSON: Well, what I am getting at now—

Mr. SINCLAIR: Well, Mr. Lewis—

The CHAIRMAN: Let us deal with Mr. Olson.

Mr. OLSON: When the Board of Transport Commissioners were underway in Calgary I asked for a little more detail of what cost factors went into the figure under "Other General Expenses" in the amount of \$628,000 and Mr. Neveu was unable at that point to give that information I would like to have that detail, not only for that particular item but for the rest of them too. Because you had to have an accumulation of figures surely to come up with these totals.

Mr. SINCLAIR: I think if I recollect that in the transcript what you asked them was how did he arrive at the variable factor in other general expenses and I think that the normal way of doing it is that the variability factor as applied from all other accounts seem to apply in the same proportion to other general expenses.

Mr. OLSON: It seems to me if I may be—

Mr. SINCLAIR: There are a great deal of figures here, Mr. Olson, and a great deal of data and that is why the Board sent their people to Montreal and got into the basic working papers.

Mr. OLSON: Well that is fine. If you will pardon me, Mr. Sinclair when I was at that hearing what I was trying to get at, because I think Mr. Neveu suggested that there were, for example, management expenses included in this other general expense item.

Mr. SINCLAIR: Of which there are.

Mr. OLSON: Of which there are. Perhaps even a small portion of the president's salary, which you have consistently maintained is a constant cost rather than a variable cost.

Mr. SINCLAIR: Oh well, I won't argue. What I am saying is—

Mr. OLSON: I am taking this one as an example because you have made quite a point in your brief that there are other significant expenses that are constant costs rather than variable costs.

Mr. SINCLAIR: That is right.

Mr. OLSON: In spite of all of the questions that we have tried to place, we cannot get anything specific of any significant nature. We keep going back to the President's salary—I don't know how much he gets—and I don't particularly care. I do not think it would add or take a great deal away from the over-all picture.

Mr. SINCLAIR: Well seeing he is here, let us talk about real property taxes. That is maybe a safer subject. Real property taxes we look upon as constant. With minor exceptions that can be taken up.

Mr. OLSON: Well, are there some real property taxes involved to any great extent in so far as passenger service is concerned?

Mr. SINCLAIR: No. That is why I said we look upon them as constant.

Mr. OLSON: Well that would not add anything to the variable costs would it?

Mr. SINCLAIR: No, that is what I am saying. Were you here when I gave some examples to Mr. Lewis about the constant costs earlier today?

Mr. OLSON: I am not sure I was here for some of the time, but time is nearly out. What I would like to have from you now is an assurance that if the committee asks for a more detailed breakdown of these totals that you have under the various headings the company will be prepared to supply them.

Mr. SINCLAIR: We are—

The CHAIRMAN: That assurance has already been given us, Mr. Olson.

Mr. SINCLAIR: We said we would co-operate in any possible way we could.

Mr. OLSON: Well then, Mr. Chairman, I think I will pass for now.

The CHAIRMAN: I have two or three members on the list, but I am just wondering, this will be the third time around for some of these members that I have left and I was just wondering if this might be a good time to adjourn. I do want to bring it to the attention of the members of the subcommittee on agenda and procedure who were not here earlier that there is a meeting in room 438C, my office, tomorrow at 1:00 o'clock to go over the agenda for the coming hearings.

We will adjourn this evening to allow the C.P.R. officials to go home, subject to recall, and discuss as to who the next witnesses will be. It is a quarter to ten. Unless you wish to continue with the questioning I will call on one more member; otherwise I would ask the committee to adjourn to the call of the Chair.

Mr. TOLMIE: I will take two minutes.

The CHAIRMAN: I will call first on Mr. Tolmie if we are going to continue.

Mr. McINTOSH: May I have two minutes?

The CHAIRMAN: All right Mr. McIntosh.

Mr. McINTOSH: As you know when you cut me off this morning I do not think I had the full length of time allotted to me.

The CHAIRMAN: Mr. McIntosh, that is a matter of opinion.

Mr. McINTOSH: Mr. Chairman, I feel now it serves no useful purpose to put the remainder of my question because I feel that the officials of the C.P.R. are convinced that it is economically unsound for them to continue running the Dominion. They convinced me of that. I have arrived back at the point where I started. We are going to have to decide whether it is in the national interest of the country to continue this run. That is a definite decision that has to be made by the government. I also want to say again that I feel the terms of reference of the committee are too restrictive to investigate beyond that point. I think the C.P.R. has convinced us it is economically unsound, and they have made the point that from now on—and I might interject here too that lately they have said that they are committed to run the Canadian but not the Dominion. Again I say it is up to the government to say whether it is in the national interest. It is not for this committee to decide.

The CHAIRMAN: We are not deciding on whether the Dominion is going to run or not; we are going into reasons why the C.P.R. has not seen fit to run it. However, that is going to come out at another hearing, Mr. McIntosh. It is too early at this stage in the game to say what is going to happen. Mr. Tolmie?

Mr. TOLMIE: Mr. Chairman, may I direct a question to Mr. Sinclair? I was not quite satisfied with the answer. The company has provided some very strong arguments that, from an economic standpoint, it is just not feasible to

carry on passenger service. You mentioned the fact that you have competition from the air, buses and cars. I would suggest the same factors prevent the C.N.R. from carrying on a very profitable operation. In fact they carry on under a loss. Your whole trend is that in effect you are getting out of the railway passenger business. This means in effect that the C.N.R., in order to carry people and provide a service, have to, as it were, take up the slack. As the population expands there is still an absolute increase of people who wish to use passenger service. This means in effect that the C.N.R. company—and I make this point again I just want to ask you a question—is going to have to absorb this increased deficit which in effect means that the Canadian taxpayer is going to feel the impact of this increased deficit. In effect, you are shifting the deficit.

● (9:50 p.m.)

My question is simply this: Do you feel that it is proper for a private company to shift this burden on to a public owned company which in effect creates an added burden on the Canadian taxpayer?

Mr. SINCLAIR: I do not think there is any shifting of burden. As I understand the position that was adopted, and has been the position of Canadian National Railways, is that they are going to maintain passenger service and they expect it to be in a break-even position. Where there is not an economic need—they cannot make money out of the service—they are going to discontinue it, and they have discontinued a number of trains. They have had applications and hearings before the board the same as ourselves; it is not too many years ago that the Canadian National did take off a transcontinental train, 506 I think they called it.

Mr. TOLMIE: But the point still remains...

Mr. SINCLAIR: I do not think there is any shifting of burden because if there is an effective demand for passenger service we are going to provide it on our line. If there is an effective demand for passenger service on the Canadian National lines, they are going to provide it, and I do not see any shifting of the burden at all. If the Canadian National believe that they can take losses on the short term to offset them on the longer term by profit, that may be what they are thinking. I have enough difficulty thinking for myself without trying to think for Canadian National as well.

Mr. TOLMIE: Mr. Sinclair, I am not asking you to think for the C.N.R. I am just stating what I consider to be a fact that if you are gradually withdrawing from railway passenger service because of the deficit involved, then the one remaining railway must of necessity take up where you have left off. In other words, they have to absorb the deficit.

Mr. SINCLAIR: No. Let me give you an example. Rail passenger service used to be provided by Canadian National between Montreal and Washington in conjunction with U.S. lines. Applications to remove that service is in process. There is no rail passenger service now between Montreal and Boston, none whatever. There is no rail passenger service between those two very large cities.

There is no rail passenger service, for instance, serving Princeton, Penticton and these other cities in southern British Columbia, and Canadian National are not providing it; Canadian National are not providing service to Boston; the Canadian National are not—they did not—once we went out of service—they did

not start to provide the service between Montreal and Boston, and where they did not provide services in the maritimes we did not step in and start providing it.

Mr. TOLMIE: I do not think I can convince you and I would like to leave that for a moment. Time is fleeting and I have one more question which pertains to perhaps a new field to a certain extent which was mentioned by Mr. Allmand. That is in regard to the new aspect of increased emphasis on air traffic respecting your company. There is no question that you expect to gain new air routes with consequential increased profits. That is understandable. In my opinion, this in a sense is a right conferred by the government; it is a gift in a sense of the Canadian people. In other words, a benefit is flowing from the Canadian people to you, or will flow, and my point is that this is a two way street. If you wish to achieve the benefit of a gift from the Canadian people then, I would submit that your company also should be willing to absorb losses in regard to railway passenger service.

Mr. SINCLAIR: Mr. Tolmie, it is not a gift from the Canadian people. What an air service is based on is public convenience and necessity, and Canadian Pacific is providing a transcontinental service restricted to one flight a day in each direction. We think that that competitive service has been a tremendous benefit to the travelling public of Canada, and I think you will find many Canadians who will agree with that view. We think we have an excellent service. We wish to extend it. We think there is enough air business to justify further service. We think there is an effective demand for it. We provide a service in some areas where we are the only air carrier and I think we provide effective service there also. As does Air Canada in some areas provide the only air service and other companies.

Mr. CHAIRMAN: I must interrupt—

Mr. TOLMIE: Just to nail this down perhaps "gift" is too strong a word but if your company is looking for something from the Canadian government, which no doubt it is, then it is a privilege, it is something desirable.

Mr. SINCLAIR: We are trying to service a demand from the Canadian people.

Mr. TOLMIE: And you are trying to service the C.P.R.

Mr. SINCLAIR: We are trying to service a demand from the Canadian people and we think we are entitled—like any other business in Canada—to make a profit in doing it.

Mr. TOLMIE: One last point, and this is the last point.

Now, if the Canadian people are suffering financially because the C.N.R. has to take railway passengers at a loss, then would it not be logical that the Canadian Government should protect the Canadian people, by preventing the C.P.R. from encroaching upon the Air Canada rights as far as air travel is concerned?

Mr. SINCLAIR: No, Mr. Tolmie. (a) The Canadian National are not being forced to carry rail passengers. They are not being forced. They are under the same legal compunctions as we are. This is a free choice. Now that is the first point. You must get that. They are under section 315 of the Railway Act just as we are. When they make an application, they are met with the same sections of the act as we are. They are not being compelled. Now if you start cross-subsidization—and this is exactly what you are saying—

Mr. TOLMIE: No.

Mr. SINCLAIR: Well, you say "no" to me, but what you are saying is because Canadian National are compelled—I say they are not compelled—you say because they are losing, then why should Canadian Pacific Airlines be given an opportunity to encroach on something that Air Canada has got? Well, this is the same as saying that you want monopoly or not effective competition. And that is exactly what you are saying by compelling Canadian Pacific Airlines to operate only one flight a day in each direction. You are saying that you are not in favour of effective competition.

Mr. LEWIS: Mr. Tolmie should not be put in the position of the witness saying that he said that.

Mr. SINCLAIR: Pardon. I do not think it is good for Canada and I do not think the majority of Canadians do either.

Mr. LEWIS: Look here I do not think, Mr. Sinclair, that you ought to lecture about what the implications of Mr. Tolmie's questions were. I am not trying to speak for him, he can speak for himself, but you are a witness, you ought to give answers and not homolies.

The CHAIRMAN: This seems like a good time to adjourn. May I have a motion that the committee adjourn to the call of the Chair, please?

Mr. ORMISTON: I so move.

Mr. ROCK: I second the motion.

Motion agreed to.

HOUSE OF COMMONS
First Session—Twenty-seventh Parliament
1966

STANDING COMMITTEE
ON
TRANSPORT AND COMMUNICATIONS

Chairman: Mr. JOSEPH MACALUSO

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 5

TUESDAY, MARCH 15, 1966

Respecting

The subject matter of the adequacy of the present program and future plans for passenger service on the lines of the Canadian Pacific Railway.

WITNESS:

Mr. J. F. Walter, Assistant Grand Chief Engineer and National Legislative Representative of Brotherhood of Locomotive Engineers.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1966

STANDING COMMITTEE
ON
TRANSPORT AND COMMUNICATIONS

Chairman: Mr. Joseph Macaluso

Vice-Chairman: Mr. Gustave Blouin
and Messrs.

Allmand	Honey	Pascoe
Andras	Horner (<i>Acadia</i>)	Rapp
Bell (<i>Saint John-Albert</i>)	Lessard	Rideout (<i>Mrs.</i>)
Byrne	McIntosh	Rock
Cantelon	Mitchell	Sherman
Carter	Olson	Southam
Deachman	Orlikow	Tolmie—(25)
Fawcett	Ormiston	

(Quorum 13)

Maxime Guitard,
Clerk of the Committee.

CORRECTION (English copy)

PROCEEDINGS No. 3—Friday, March 4, 1966. In the Minutes of Proceedings and Evidence—Page 155, line 16 should read:

Mr. PASCOE: ... the C.P.R. had offered to rent the big railway offices to the city for use as a city hall.

MINUTES OF PROCEEDINGS

TUESDAY, March 15, 1966.

(9)

The Standing Committee on Transport and Communications met at 9:34 o'clock a.m. this day. The Chairman, Mr. Macaluso, presided.

Members present: Mrs. Rideout and Messrs. Allmand, Andras, Bell (*Saint John-Albert*), Byrne, Cantelon, Carter, Deachman, Fawcett, Macaluso, McIntosh, Olson, Orlikow, Pascoe, Rapp, Rock, Southam and Tolmie.—(18)

Also present: Messrs. Reid and Smith.

In attendance: Mr. J. F. Walter, Assistant Grand Chief Engineer and National Legislative Representative of Brotherhood of Locomotive Engineers.

The Committee resumed its consideration of the subject-matter of the adequacy of the present program and future plans for passenger service on the lines of the Canadian Pacific Railway.

The Chairman introduced Mr. Walter. Before the Committee opened its hearing, it was moved by Mr. Deachman, seconded by Mr. Bell, and *Resolved unanimously*,—That condolences be expressed to the late Mr. R. A. Emerson's wife and family and also to his colleagues of the Canadian Pacific Railway, through the Clerk of the Committee.

In order to give the witness, Mr. Walter, ample time to make his representations, since he had previously informed the Chairman that he had to be in Montreal at 1:30 this afternoon, the Committee agreed unanimously to postpone the tabling and consideration of the First Report of the Subcommittee on Agenda and Procedure, until its next sitting scheduled to be held at 9:30 a.m. on Thursday, March 17, 1966.

Then Mr. Walter was invited to read his brief.

The Chairman having to leave, Mr. Deachman took the Chair.

Before the examination of the witness began, Mr. Pascoe asked that certain corrections be made in the evidence of the Committee meeting of Friday, March 4, 1966 (*Issue No. 3*). The members agreed to the corrections. (*see Evidence*)

On motion of Mr. Cantelon, seconded by Mr. Southam,

Resolved unanimously,—That the brief submitted by Mr. J. F. Walter on behalf of the Brotherhood of Locomotive Engineers be printed as an appendix to this day's Minutes of Proceedings and Evidence. (*See Appendix C*)

In order that the Committee have time enough to hear the Delegation from the Canadian Railway Labour Executives' Association, scheduled to appear on Thursday next, it was moved by Mr. Bell, seconded by Mr. Byrne, and

Resolved unanimously,—That the Committee seek permission to sit while the House is sitting, such authority to have effect on Thursday, March 17, 1966 only.

The examination of the witness being completed, the Committee expressed its thanks to Mr. Walter, who retired.

At 11:38 a.m. the Committee adjourned to the call of the Chair.

Maxime Guitard,
Clerk of the Committee.

EVIDENCE

TUESDAY, March 15, 1966.

The CHAIRMAN: Gentlemen, we will now proceed to the order of business. We shall sit today only from 9.30 to 1 o'clock.

We have before us one brief from the Brotherhood of Locomotive Engineers. As our witness today we have Mr. J. F. Walter, Assistant Grand Chief Engineer and National Legislative Representative of the Brotherhood of Locomotive Engineers. For those who do not know what Grand Chief means, let me say I was advised by Mr. Walter that it is the same type of position as vice-president.

There is before me a report of the subcommittee. However, because of the short time we have available, I am wondering whether members will agree to leave the discussion of the report of the subcommittee until Thursday when we will be sitting all day—or we hope to get permission to sit all day.

Does that meet with your approval? I understand that members are agreed on this.

I believe Mr. Pascoe has a point of order to make regarding a correction of the evidence.

Mr. PASCOE: I have just a brief correction. On March the 4 I was speaking at a meeting of this committee on the subject of the social and economic impact of drastic railway changes on the communities. I mentioned changes that took place in Moose Jaw and I said the roundhouse had been closed down. I also said the big C.P.R. offices were offered to the city as a city hall. It says here in the evidence that the big offices of the C.P.R. were rented to the city for a city hall. This is not correct; the offer was turned down.

The CHAIRMAN: Thank you, Mr. Pascoe.

I want to advise the members that I will have to leave, probably at 10 o'clock, to attend a very important meeting. I will ask someone to take the chair if the vice-chairman is not here at that time.

Mr. DEACHMAN: Mr. Chairman, I would like to speak on a matter which I think affects us all. I think every member of the committee learned with sadness that a day or two ago Mr. Emerson, who was before us recently, had very suddenly passed away. I wonder whether or not the committee could send its regrets and expressions of sympathy to the executive of the C.P.R.

The CHAIRMAN: Thank you for again drawing this to my attention. I have a note concerning this before me. It was with great surprise that we heard Mr. Emerson, the President of the C.P.R., had passed away suddenly yesterday. I would like to send the unanimous condolences and sympathy of this committee to the wife of Mr. Emerson and to the C.P.R. officials. Could I have a motion to that effect?

Mr. DEACHMAN: I will so move.

Mr. BELL: I will second the motion.

Motion agreed to.

The CHAIRMAN: I will advise the clerk of the committee to send a letter of condolences.

We have before us the brief of the Brotherhood of Locomotive Engineers. We have only English copies but the French copies will be available later today, I understand.

Mr. Walter will read from the brief after making some preliminary remarks, and then the questioning will commence. As I said, Mr. Walter hopes to be in Montreal at 1:30. I think we can deal with our business promptly so that he can get away.

Mr. J. F. WALTER (*Assistant Grand Chief Engineer and National Legislative Representative of the Brotherhood of Locomotive Engineers*): Mr. Chairman, members of the committee, before I begin I would like to say a few words off the record about Mr. Emerson. I have dealt with Mr. Emerson in my capacity as a union officer, and although I did not always agree with his views on many things, I found him to be a very able officer. He knew his job and he knew his railroad. The reason I bring this up, in the light of what has happened, is that in the preparation of my brief I find that I was inclined to equate the C.P.R. policy with the personal opinions of Mr. Emerson. As I will read the brief I will correct this situation.

Many of you have received a copy of my brief to the Board of Transport Commissioners and you will notice that not much change has been made in the brief that was presented to the Board. The reason for this is that I sat here for three days listening to the Canadian Pacific Railways' submission and I have not changed my opinion; nothing I heard changed my opinion. Therefore, there is very little change in this brief. At the tail end of the brief we have brought in some conclusions which we felt would be of help to the committee.

From the earliest days of Canada up to the present, the establishment and maintenance of efficient transportation and communication networks have been accepted as public responsibilities. It has always been recognized that Canada could not survive as an independent sovereign state if the building of canals, roads, railways, pipelines, radio and television networks, et cetera, were predicated on the profitability of the systems themselves, rather than on the economic and political interests of the country as a whole. The old St. Lawrence canals "didn't pay", the Seaway "doesn't pay", the C.B.C. costs us uncounted millions, the trans-Canada pipe lines required massive government backing and the railways fabulous grants of funds, lands and exclusive franchises.

Tight control and a close scrutiny of public support to these facilities is no doubt required. But the national interest, broadly defined, must take precedence in these fields over concepts of profitability and over any narrow definition of need or usage of facilities.

An extensive trans-continental passenger service (even an excessive service in terms of profitability and average traffic offering) is an absolute necessity as a safe, reliable all-season system of moving masses of people across this great country in good weather and bad. The importance of such a service as a national defence asset is obvious. No less obvious is the psychological effect on Canadians: the knowledge that the very different economic, social and political regions of this country with their various population groups are all bound together by a first-rate, efficient and fast rail passenger service.

In short, we feel that the national interest in this matter must be broadly interpreted and should be given great weight. The questions of profitability and passenger carryings must, on the contrary, be narrowly interpreted and should be given little weight. Financing of the service does, of course, pose a problem, but we have every confidence that the Board of Transport Commissioners for Canada or the Government of Canada can find, as they have always found, the necessary means once the end has been defined.

Down through the years the Board and other similar tribunals have often heard it suggested that the Canadian Pacific has an obligation, by reason of its original charter, to operate a railway system which includes passenger service. There have been suggestions that passenger service should be maintained in return for the vast land grants and subsidies that have been paid the railway over the years. Our Brotherhood does not propose to argue the point—we do propose to your Committee and, through the medium of these hearings, to the public and the Government that the issue should be settled once and for all. Since the people of Canada granted the Canadian Pacific its original charter and since that charter reads in part:

And the Company shall thereafter and forever efficiently maintain, work and run the Canadian Pacific Railway.

it should be left to the people to decide what is meant by the words "forever efficiently maintain". This condition of the original contract should not be interpreted by Mr. Emerson alone who represents the vested interests of the shareholders of the Canadian Pacific. A commission should be established to determine the present-day value of land grants, subsidies, etc. to determine what portion of the vast worth of Canadian Pacific can be attributed to assistance from the people of Canada. Having established this, the question of the need for and the cost of two transcontinental trains on the Canadian Pacific should be studied. It should be determined whether or not upgrading passenger service would be likely to produce sufficient revenue to defray operating expenses. The Canadian Pacific's practice of diverting revenue-producing head-end traffic to other trains should also be examined. For example, head-end traffic prior to last summer contributed to the revenue of "The Dominion". This is not the case at the present time. The consequences of the whole of Canadian Pacific's passenger handling policy should be studied to determine if the real objective of the Company is not to drive passengers from its rails. Such a study should also include a determination of how transcontinental passengers will be handled if the Canadian Pacific is allowed to reduce its services and what effect increased passenger traffic might have on the Canadian National. It is the position of our Brotherhood that such a determination is within the purview of the Board of Transport Commissioners for Canada. In support of this position I quote H. E. B. Coyne when dealing with Section 315 (then Section 312) of the Railway Act:

It is the practice of railway companies to apply to the Board for its approval before discontinuing the operation of any regular passenger train, and applications are frequently received from municipalities, boards of trade and private individuals for an increase in train service, or a change in train schedules. On such applications the Board's decision depends upon the circumstances of each case. The principal factors to be considered are (a) the convenience of the public; (b) the effect on the

railway company's operating revenue and expenses; (c) the effect on other railway operations, for example, by causing congestion of traffic at a certain point; and (d) any agreement of the railway company to provide a specified service.

(Ref. "The Railway Law of Canada")

I draw your attention to clause (c): clearly "causing congestion of traffic" is of some concern to the Board. It is the opinion of our Brotherhood that curtailment of Canadian Pacific's passenger service will force an added burden on the Canadian National in the form of additional trains if the traffic is to be handled. If passenger service is as unrewarding as the Canadian Pacific claims, then the additional traffic flowing to the Canadian National is bound to increase the deficit position of that railway in passenger service. It is bound to have the same bad effect on the Canadian National as we have heard Mr. Emerson testify it will have on the Canadian Pacific.

If a worsened passenger deficit were the end result of diverting passenger traffic to Canadian National it would be serious enough for the people of Canada but there is another aspect that your Committee should consider and that is the effect increased passenger traffic has on the movement of fast freight—the railroads greatest source of revenue. Mr. Emerson touched on this aspect of railway operations under cross-examination by Mr. Frawley at page 4932, Volume 1123 of the public hearings of the Board. In reply to Mr. Frawley on a question about overloading "The Canadian", Mr. Emerson replied in part: "... Of course, the operation in two trains instead of one would have disabilities in cost. *It would have disabilities in terms of interference "with the movement of other traffic."* (emphasis supplied) Here Mr. Emerson is saying in effect—clear our lines of low-profit passenger trains and we will use our plant and equipment to increase our earnings in the lucrative freight business. Good business? Of course. But if this is to be done at the expense of efficient operation on the Canadian National through increased passenger traffic, then the people of Canada can expect to continue to pay for deficit passenger operation on the Canadian National. Additionally, it is not beyond the realm of possibility that the ability of Canadian National to compete in the high-revenue freight business will be seriously affected by additional passenger trains. Of course, it can be argued that Canadian National will not be obliged to accept the additional traffic that will become available if the Dominion is cancelled, but knowing of the pressure that is often applied to the Canadian National, we are doubtful if that Company will be able to resist the temptation to handle the traffic, even at the expense of considerable capital outlay for equipment and plant.

It is clear that there is a sharp difference of opinion between the Canadian Pacific and the Canadian National as to the possibility of reducing passenger losses. There is apparently even a wide difference of opinion as to the meaning of the proposed railway legislation and what should be done about uneconomic passenger service. The point is very well summed up in the November 1964 issue of "Canada Month". Mr. John Kettle, executive editor, in an article on proposed railway legislation, reports the position of the Canadian National as follows:

A CN railway official told me, 'I think CP's got this wrong. The new Act says we should all stop making passenger service losses. We interpret

this to mean that either a passenger service has to be made profitable or it should be dropped. They act as if they thought it meant they should stop making passenger runs altogether.'

Would it not be better if the policy of Canadian Pacific were somewhat along the lines of the Canadian National's? Would it not be better for the Canadian Pacific to encourage passenger traffic by upgrading equipment, rearranging schedules and modernizing services? In this way at least passenger losses may be reduced. It seems very clear that the efforts of Canadian Pacific in the passenger business is in the opposite direction. While it has been denied that a deliberate effort is being made to overload and downgrade the Canadian, nevertheless cancellation of the Dominion must adversely affect the Canadian. During the years the Canadian has been in existence it has become a world-famous train. This level of excellence has not been reached by operating a transcontinental local train. The standard has been maintained by strict adherence to a schedule designed to produce good-riding qualities by maintaining a constant speed across the country, elimination of unnecessary stops, and maintenance of "on time" performance. The men I represent tell me that it is not possible to maintain the high standard of performance previously called for on the Canadian and handle the extra work resulting from cancellation of the Dominion. There is a general apprehension that the Canadian service will deteriorate to a point where the public will not ride this train either and then all will be lost. It is not too many years ago that the Dominion did not do local work and the removal of many local trains contributed to the deterioration of that service.

Although Canadian Pacific has denied its policy is to get out of rail passenger business, recent events such as the cancellation of the Dominion and withdrawal from passenger service between Ottawa-Toronto and Montreal-Toronto indicates otherwise. This trend is bound to continue as long as Canadian National is prepared to assume the burden of providing rail transportation and attracting people to it.

I refer to rail passenger business as "a burden" only because Canadian Pacific has decided it is so. In a few weeks your Committee will have the opportunity to hear from Canadian National and at that time you will be able to determine if that company considers passenger service "a burden". Burden or not, the fact remains the people of Canada and tourists are prepared to spend in the neighbourhood of one hundred million dollars per year for rail passenger service. We believe this amount will grow with the population and the economy. We further believe it is in the national interest for both railways to share equally in the burden or privilege, as the case may be, of providing rail passenger service. Whether or not the need for the service constitutes an "effective demand", as interpreted by Canadian Pacific, or an actual demand, as dictated by circumstances, is rather academic. There is a need to transport people across the nation and there is a need to attract tourist spending in our country. Rail passenger service is a means of meeting this need.

In meeting the need we do not believe it is in the national interest to make Canadian National the willing horse in the rail passenger business. We believe that towns, cities and communities served by Canadian Pacific should not suffer loss of service as compared to areas served by Canadian National. We say there should be a balancing of services: a balancing of the burden of passenger business, if there is a burden, and from this will flow the balancing of

competitive opportunity in the movement of freight which is sometimes adversely affected by rail passenger traffic.

We do not hesitate to say there should be subsidization of rail passenger service by the Government of Canada. We say that subsidization should be on a continuing basis and not for a mere four-year period as envisaged by the McPherson Royal Commission. Our position in this respect is prompted by the realization that all other modes of competitive transportation enjoy massive subsidization by the people of Canada and this is what makes their competitive position possible. Air carriers making use of Canada's vast air terminal facilities fall far short of paying for such facilities. Highway bus fares certainly do not reflect the cost of building and maintaining the present network of Canadian highways nor are user-charges on the St. Lawrence Seaway realistic when viewed in the context of the total cost of building and maintaining the Seaway. All of these facilities are, however, national assets and are provided by subsidization in one form or another. So should it be with rail passenger transportation.

Conclusions:

1. We suggest your Committee recommend to Parliament that the maintenance of a modern efficient rail passenger transportation system is in the national interest: that such a system should be provided on a relatively equal basis by Canadian National and Canadian Pacific with the assistance of federal subsidies to the extent determined by a new authority in conjunction with the Board of Transport Commissioners for Canada.

2. In order to provide and maintain a modern and efficient rail passenger service your Committee should recommend means by which rationalization of rail passenger service may be realized. To accomplish this our organization suggests extension of the proposed legislation set down in Bill C-120 of the 22nd Session of the Twenty-sixth Parliament. We propose the creation of a "rail services rationalization authority" to replace the Branch Line Rationalization Authority proposed in the legislation. This authority would have jurisdiction permitting it to *rationalize* any service of any railway supported by subsidies from the Government of Canada. The authority would act on recommendations of the Board of Transport Commissioners for Canada as to the subsidies to be paid for railway services which are declared in the national interest.

3. We support the national transportation policy set out in the Bill which reads as follows:

It is hereby declared that the national transportation policy of Canada is the attainment of an efficient, balanced and fully adequate transport system by permitting railways and other modes of transport to compete under conditions ensuring that, except in areas where a transport monopoly exists,

- (a) regulation of rail transport with due regard to the national interest will not be of such a nature as to restrict the ability of railways to compete freely with other modes of transport;
- (b) each mode of transport, so far as practicable, pays the real costs of the resources, facilities and services provided at public expense; and

(c) each mode of transport, so far as practicable, receives compensation for the resources, facilities and services that it is required to provide by way of an imposed or statutory duty; and the provisions of this act are enacted in accordance with and for the attainment of so much of the national transportation policy as relates to railways under the jurisdiction of Parliament."

All of which is respectfully submitted.

The Acting CHAIRMAN (*Mr. Deachman*): Before we proceed to an examination of Mr. Walter's brief there are two motions which I wish to have put before the committee. The first one is a motion to ask permission of the House to sit while the House is sitting on Thursday, March 17, 1966, to hear the brief of the Canadian Railway Labour Executives Association.

Mr. BELL (*Saint John-Albert*): I will so move.

Mr. BYRNE: I will second the motion.

Motion agreed to.

The Acting CHAIRMAN (*Mr. Deachman*): The second is a motion to print the brief of the Brotherhood of Locomotive Engineers as an appendix to today's minutes of proceedings and evidence.

Mr. McINTOSH: I will so move.

Mr. BYRNE: I will second the motion.

Motion agreed to.

Mr. McINTOSH: Mr. Walter, I have a couple of general questions to ask on your brief. Could I ask you what you understand by the term "national interest" which appears on page 2? You heard what the C.P.R. official said the other day. I wonder whether we could get your interpretation of that?

Mr. WALTER: In so far as it relates to the rail passenger service, I would say that "national interest" means having trains that run at frequent intervals provide more than adequate transportation facilities for the people of the country. I do not agree with the C.P.R.'s concept that all of these services must pay for themselves.

Mr. McINTOSH: I will relate all my questions to the rail passenger service. Whether I say it or not I intend to do that.

My next question again arises on page 2. I want to ask you about the Charter. Does the Charter spell out that the C.P.R. should maintain the rail passenger service?

Mr. WALTER: I think this is something that should be determined. There seems to be a wide difference of opinion on this point. I do not believe that the original Charter intended that the Canadian Pacific Railway should not advance with the times, and should continue to run a service across the country with a couple of wooden coaches twice a week. The original Charter intended, I think, that they should run a railway which, at that time, included a passenger service, the best available at that time.

Mr. McINTOSH: You maintain then that it is an obligation on the part of the C.P.R. to run a passenger service of some type?

Mr. WALTER: Who would maintain?

Mr. McINTOSH: The C.P.R.

Mr. WALTER: I did not understand your question.

Mr. McINTOSH: My question is: Do you maintain that the C.P.R. are compelled by the Charter to run a rail passenger service?

Mr. WALTER: I maintain they are compelled to stay in the passenger service.

Mr. McINTOSH: Then, on page 6 you say something about rearranging the schedules. I want to ask you what you mean by that.

Half way down the page, in the same line, you speak about modernizing the service. Could you tell us what you mean by that?

Mr. WALTER: As far as rearranging the schedule is concerned, we have heard many complaints, during the hearings before the Board of Transport Commissioners, with regard to the removal of the Dominion and the ability of passengers to connect with trains at various points across the country. This is what I had in mind when I said that.

As far as the modernizing of equipment is concerned—

Mr. McINTOSH: Before you go on to that, could I ask you whether you think it is possible for the C.P.R. to rearrange their schedules better than they had them in the last five or ten years?

Mr. WALTER: I do not think it is possible to rearrange the schedule of the Canadian very much, but I think it would have been possible to rearrange the schedule of the Dominion.

Mr. McINTOSH: In what manner?

Mr. WALTER: It could have been speeded up to some extent, possibly have a later departure time. However, of course, this goes hand in glove with the next question regarding the modernization of equipment. The Canadian is able to maintain the schedule that it does maintain primarily because of the equipment that it has on it. We heard Mr. Sinclair say that the passengers, when they traveled on the Dominion in the summertime, expected the same standard that they were accustomed to on the Canadian. He admitted that the equipment on the Dominion was not up to the standard of the Canadian. This is what I mean by upgrading the equipment. You have seen the C.N.R. take coaches, that are every bit as old as some of the coaches that are being used on the Dominion, and upgrade them by installing frigidaire air conditioning and by modernizing the interiors and so on. These changes have been made. They have upgraded their equipment. The result is that the Canadian and the Panorama, or any of the C.N.R. trains, are on a par as far as passenger comfort is concerned. You have heard Mr. Emerson say—I believe it is he who said it—that the Canadian's equipment was much better than what the Canadian National Railway had. However, he was referring in this statement, I believe, to the fact that the Canadian equipment is made of completely stainless steel, and from the standpoint of operations it requires less maintenance and therefore is a better piece of equipment for the railway. However, from the standpoint of passenger comfort I do not think there is any difference between the Canadian National and the Canadian Pacific.

Mr. McINTOSH: It has been said previously—I am not sure whether it appeared in this brief or somewhere else—that front-end loading, such as mail and express and so on, tends to disrupt the schedules.

Mr. WALTER: I think I referred to head-end traffic. It does disrupt the service if it is of a local nature, but the railways are getting out of this local

head-end traffic business. They are now distributing their freight and package express by trucks.

● (10: 05 a.m.)

I was referring to full carload shipments which go from Montreal to Winnipeg, or possibly through to Vancouver. This is what I referred to. It was dealt with in the discussion on the mail as it was previously handled on "The Dominion".

Mr. McINTOSH: On page 9 you refer to an "efficient rail service". I have just jumped over here because you mentioned something that reminded me of it. Would you say that for efficient rail service this front-end load should not be carried?

Mr. WALTER: No, I would say that if the head-end traffic contributes to the over-all cost of operating the train, if it can contribute to the profit on that train, then it should be handled. I am referring to the long haul stuff. I do not say that you should stop the train at every station and unload express as we did in the old days.

Mr. McINTOSH: Do you wish to say anything more about the term "efficient rail service"? Have you any explanation for using that term? What do you mean by efficient rail service?

Mr. WALTER: By efficient rail service I mean a service that is worth what the Canadian people are paying for it. That is what I mean by efficient rail service.

Mr. McINTOSH: How is that determined?

Mr. WALTER: I have suggested that, in line with the proposed legislation, there should be a passenger service or railway services rationalization authority. I do not know whether rationalization is the right word or not, but that is the term the people who drew up the legislation have suggested. I think this authority should be created, and I think it should work in conjunction with the Board of Transport Commissioners as is done in regard to the handling of subsidies for the bridge movement between the Maritimes and here and across northern Ontario. Subsidies are paid to maintain that service.

Mr. McINTOSH: On page 8 you have mentioned the word "subsidization". In view of the remarks you have just made about what Canadians should pay for it, do you feel the passengers should pay the complete cost or do you think the government should pay a subsidy to help to maintain the cost of rail services?

Mr. WALTER: I think a subsidy should be paid if the fares cannot meet the cost of running the service. I think this is done on the airlines. I do not think the fare structure Air Canada uses reflects the cost of building the \$900 million worth of terminals which have been built in this country in the last few years. For that reason, I think the railways are being placed in an unfair competitive position; they are trying to compete against a system that is highly subsidized. I think they also should be subsidized so they can compete on an equal basis.

Mr. McINTOSH: On page 6 you use the term "maintain standards". The men I represent tell me it is not possible to maintain the high standards of performance previously called for on "The Canadian" and handle the extra work resulting from the cancellation of "The Dominion". Can you elaborate on that?

Mr. WALTER: Yes, I can elaborate on that because I have operated "The Canadian" myself and I know the type of performance the company expected one to turn in when one operated this train. I did not operate as a regular engineer but as a spare engineer.

Previous to the policy of the Canadian Pacific with regard to its passenger business, an engineer on "The Canadian" often received the message, "Do not make up more than five minutes over you subdivision." The train might have been delayed for some reason or another, perhaps because of a snow-slide or something like that in the West. We would receive this order so that we would not try to make up time with the train and possibly take the train around curves at a speed that would cause some discomfort to the passengers. I am sure all the committee members have been on a train at one time or another that has gone around a curve too fast and you have had to hang on. This type of operation is not dangerous: I am not suggesting that. I am not suggesting our men would run in an unsafe manner. The policy has been, however, to operate "The Canadian" in such a manner that people can walk through the train just as if they were walking in this room. To do that, and to give people this ride, one has to maintain a steady and constant speed. That is what I was referring to.

Mr. McINTOSH: On page 7 you state that you believe "this amount will grow with the population and the economy". You are talking about a passenger service. You heard what the Canadian Pacific Railway officials said the other day. I gained the impression that they felt the passenger service was decreasing and would decrease. I take it from the statement you make here that you feel, with the increase in population, the demand for the passenger service will increase rather than decrease.

Mr. WALTER: I believe this is the case. I think it has to increase because people will require more transportation in this country. I think our population will increase a great deal over the next 20 years. We see it today in the airports. Five or six years ago one could get lost in the new airports. Today, the airports are crowded. Although the airlines keep putting on more seats, as we have heard the railway people testify, it is difficult to obtain a seat on the airlines when you require one; they seem to be full all the time. I travel by air a great deal myself and I see this.

We have many European people in the country at this time, people who are conditioned to rail travel. Many of these people will want to travel across Canada at least once in their lifetime by rail.

There is enough population to support a good, efficient transcontinental service. I think the railway people are basing their opinion on what has happened between 1959 and the present date when the airlines expanded and were able to provide this service. However, the situation I believe is starting to reverse now and we will see more travel by rail.

Mr. McINTOSH: My next question may not be a fair question to ask you, but the reason I do ask you this is that I understand you have personally done quite a lot of research yourself into the whole rail passenger service question. I want to refer you to a speech which was made by the Leader of the Opposition in the House of Commons on February 15 when he talked about legislation in the United States which makes available \$90 million for research into newer and faster modes of rail transportation.

Based on the research you have done, can you say something in regard to the type of faster rail service we may expect? I think you heard what was said, I believe by Mr. Sinclair, about the Japanese trains. Is such a train feasible in your opinion in Canada or in certain parts of Canada?

Mr. WALTER: I think it is feasible. I have not done as much research on this as I would like to have done. My only research has been based on the every-day dealings of the Brotherhood with this sort of thing.

Our Brotherhood in the United States has been behind the act to which you refer—which is generally called, I believe, The High Speed Ground Transportation Act—under which the United States government will provide something in the nature of \$90 million over the next three years for research on this problem. I think Canada can benefit from that research. If the manufacturers in the United States are able to come up with a new concept in rail passenger equipment, they will be looking for customers for their equipment and we will benefit directly from this \$90 million. But we have to do some research of our own in this country because the type of equipment they are talking about is not suitable to put directly on to our rails at the present time.

The idea behind it is that it will be light weight, low-centre-of-gravity equipment; and they are trying out a new principle whereby the coaches are held in a cradle arrangement which cuts down the swaying of the equipment when the train goes round curves. This will allow the train to take curves at a higher speed.

It has been estimated—and this is unofficial but we have heard it said—that the United Aircraft Company, who are doing the research on this project or who are creating this train, expect the train to operate at an average speed of 100 miles per hour between Toronto and Montreal on the existing Canadian National Railways lines. Whether this is correct or not I do not know, but I know there would have to be quite a few changes made in the operation before one could introduce this type of train into the traffic that presently moves over that rail. Therefore, there should be some research undertaken by the railways in Canada. They are reluctant to spend money on this type of research because the segment of their business to which the results of the research would be applied does not provide them with the necessary money to carry on this type of research. I think this would be part of the subsidization plan. Research should be done on this question.

Mr. McINTOSH: Thank you, Mr. Walter.

The Acting CHAIRMAN (*Mr. Deachman*): Mr. Orlikow.

Mr. ORLIKOW: I would like to ask Mr. Walter a few questions in connection with the effect of the changes which have been made by the Canadian Pacific Railway since they began to reduce the service they operated on "The Dominion". What effect have these changes had on employment? I believe it was Mr. Crump on the first day who told us that the number of people displaced was, from memory, certainly less than 200 in total and that the balance of the people were absorbed by moving into other positions and so on.

From the information we have received from certain other unions and from looking at the situation, perhaps not from 1965 but from 1959 to 1960 when the changes began to be made, it is obvious that the reductions in staff were much greater than the figure given by Mr. Crump. I wonder if you have any information about the effect of the changes on the employment of the people you represent in your own Brotherhood?

Mr. WALTER: I have no information on it because I have not looked at the question, simply because it does not directly affect locomotive engineers. By this I mean that the line of promotion is from locomotive engineer back to fireman; and when jobs are taken off which create a loss of employment for locomotive engineers, then the men on the bottom of the list are demoted to locomotive firemen and helpers. Therefore, there is no true loss of employment in so far as locomotive engineers are concerned. There is, of course, a loss of good jobs, and this does affect our men who have worked for many years to gain the seniority to hold these good jobs.

I think you should deal with the question of loss of employment with Mr. Wright when he appears for CLRA.

Mr. ORLIKOW: Would it be possible to calculate how many engineer positions have disappeared? I can appreciate what you say: your people, if they lose the job of engineer, because they are at the top of the seniority list go back to the position of fireman. But how many engineer jobs have been eliminated?

Mr. WALTER: I would just take a fast guess and say that the result of taking off "The Dominion" and transferring the services between Ottawa and Toronto and Montreal and Toronto has probably been the loss of 50 passenger assignments.

Mr. ORLIKOW: I have just one other question, Mr. Walter.

In your brief on page 9 you suggest the establishment of a rail service rationalization authority to take the place of the proposed branch line rationalization authority. Do you seriously think, Mr. Walter, that any authority which only deals with railways can really do the job? At the end of your brief you talk about the fact that we need a national transportation policy to include the whole panorama of transportation—railways, airlines, buses, trucks and all commercial transportation. The most efficient way to deal with transportation as a whole, and whether we should spend on railway modernization the money we now spend on highways, on airline terminals, and so forth should be decided. Do we not need a board that will look into the complete transportation picture rather than a board which will just look at rail rationalization? It seems to me that a rail rationalization board would be beaten before it started.

Mr. WALTER: I think I would agree that we should have perhaps a ministry of transport. One member in the House of Commons—I do not remember who it was, but I read the remarks—said there should be also an associate minister to cover each segment of the transportation system so that all these things could be regulated properly. However, I think probably if that were done one would have a problem with the provinces. I think all transportation services should be regulated by a federal authority.

Mr. ORLIKOW: We do not have separate ministries or separate associate ministers, but the Minister of Transport now, so far as the federal government is concerned, has jurisdiction for each segment. It seems to me there has not really been any study of how we can best do the total job. It does not seem to me that there is any relationship of the consideration given to the question whether we should spend money on railways and the question whether we should spend money on airlines or on the Trans-Canada Highway, for example, so the argument about what needs subsidizing most, airlines, trucks or railways, is pretty specious. We do not really know.

I wonder if your organization has given any consideration to whether all this should not be looked at together so that we may have a policy which takes the best from each.

Mr. WALTER: Our organization belongs to the National Legislative Committee, and in our annual brief to the Government of Canada we have proposed that there should be a national transportation policy and that this policy should provide for setting up an authority—or call it what you will—to control all forms of transportation in the country. I agree with that position.

Mr. ALLMAND: In your brief you indicated that you would like to see passenger services continued. If the Canadian Pacific Railway could provide for more passenger services by introducing automation and other labour-saving devices, would your union agree to such a course even though it may mean the elimination or cut-back of some jobs?

I ask this question because when Mr. Emerson was here I asked him if it was possible for his company to increase passenger services by introducing such labour-saving devices, and he said he thought so. I asked him what would be the objection to doing so, and his answer was, the collective agreements in which they are presently involved. I would like to know the attitude of your Brotherhood to this question.

Mr. WALTER: The attitude of our Brotherhood to this is that we always deal with these things when the collective agreement becomes open. I do not think the Canadian Pacific Railway Company has ever looked at this agreement as a real barrier to doing anything they wanted to do, because these agreements come open every two or three years. Our objective in dealing with any change—and dieselization was one, and we have come through that—is to maintain the job opportunities of the men who are presently on the job. We have not tried to extend this and get into what we call featherbedding. We have met the situation head on, and we have sat down and written agreements with the railways which have provided for more benefits for the railways and more benefits for our men.

The diesel locomotive is a very good example of this attitude. We did not try to say to the railways when the diesels came along, "You are using two and three locomotives on one train, therefore we want two or three crews on every locomotive." We agreed to a rule whereby one man would operate the two, three, four, five and six locomotives at a progressively increased rate; so our Brotherhood and the men who belonged to our Brotherhood benefited from this, and the company benefited in its operations. This has been our policy. I think we could meet any situation that might arise. If the day comes when they run trains without locomotive engineers, we will have to deal with it then. In fact it is here now; we have that situation in one operation in Labrador.

Mr. ALLMAND: In recent years has the Canadian Pacific Railway Company made any new proposals to the union in the area of automation?

Mr. WALTER: Not to our Brotherhood so far as I can recall. I am sorry, did you say the railways or did you say Canadian Pacific?

Mr. ALLMAND: I said Canadian Pacific specifically.

Mr. WALTER: No, not to my knowledge.

Mr. ALLMAND: At page 6 of your brief you ask, "Would it not be better for the Canadian Pacific to encourage passenger traffic by upgrading equipment?"

Mr. Sinclair said when he was here that there were no longer any factories or industries in North America which were now producing passenger equipment. He said that as a result it was not possible at the present time to replace old passenger equipment with new passenger equipment. Can you comment on this? Have you any information on it?

Mr. WALTER: I heard that remark and I was rather surprised because in November of 1965 Kansas City Southern bought 10 new passenger coaches. I do not know where they bought them, but there is someone manufacturing them. In addition to this, the Toronto subway has purchased, I believe from the Montreal Locomotive Works, a number of subway cars. The process of fabricating subway cars is very little different from the process of fabricating railway passenger coaches. In addition, all the components that go into railway passenger equipment must be manufactured on a continuing basis in order that maintenance can be kept up. I do not think there really is a problem.

I think if Canadian Pacific wanted to buy a new set of cars for a train such as "The Canadian" there would be three or four major manufacturers bidding for the opportunity to build this equipment. In fact, we saw Japanese manufacturers bid for the privilege to build the equipment for the Toronto subway, and I am sure they would be very happy to make a bid to build new passenger equipment for Canadian Pacific.

I do not think there is any real problem. I should not really argue with the Vice-President of the Canadian Pacific Railway Company on this point because I do not know enough about it, but I cannot imagine there would be any real problem in purchasing railway equipment.

Mr. ALLMAND: If the Canadian Pacific Railway does not continuously keep its passenger equipment up to the best standards expected by the public, let us say in a competitive way with the other railways and with airlines, do you think this will necessarily lead to an abandonment of these passenger services by the public?

Mr. WALTER: I would agree with that. I heard Mr. Sinclair say that very thing. I heard him say that the people prefer the equipment on "The Canadian" and that when they were on "The Dominion" they complained about it.

Mr. ALLMAND: He also said they intend to keep the present equipment on "The Canadian" for perhaps another 10 years, and they have already had it for 10 years. They have no intention of replacing it. Do you think this might affect the demand by the public for the service of this train?

Mr. WALTER: No, I do not think so because I do not think there will be any advances in the next 10 years in the type of equipment that is built that will put "The Canadian" out of date as a transcontinental train. The high speed equipment about which we were speaking previously is I think unsatisfactory for transcontinental service. It is light weight; and it probably would not have the riding qualities that the heavier equipment has, although the manufacturer claims it has these qualities. I say this because in 1957 and 1958 a number of railroads in the United States experimented with light weight, low-centre-of-gravity trains. One was "The Explorer" on the New York Central line. The Boston and Maine had one; Maine Central had one; and Pennsylvania had one. Three manufacturers built them. Canadian National tested one of these light

weight trains between Montreal and Toronto. It was light weight aluminum. They found the noise level was high inside the coaches, and the equipment was not sufficiently versatile for them to expand it at week-ends and on holidays by using existing equipment. These are some of the drawbacks in new equipment and train design. I do not think this will have any effect on transcontinental trains because this equipment is not suitable on long runs.

The Acting CHAIRMAN (*Mr. Deachman*): I have two names in front of me. Before calling on Mr. Bell I might remind the committee, because I see people going in and out, that at the moment we have exactly a quorum. I do therefore invite you all to stay if you possibly can.

I call on Mr. Bell.

Mr. BELL (*Saint John-Albert*): Mr. Walter, my questions centre on the study you have proposed in your brief. I think you have suggested at least two aspects of it. You suggest the obligations under Section 315 should be considered and that the responsibilities and limits that Canadian Pacific and Canadian National both have from a general passenger standpoint should be determined.

I for one feel that this committee will have to hear from experts in order to challenge the figures that have been put forward by the Canadian Pacific and those that probably will be put forward by Canadian National Railways.

Can you suggest where we might obtain this advice, and will you tie this in with the type of study that you might have in mind?

Mr. WALTER: That is a very difficult question to answer. We have difficulty in obtaining experts to work for our Brotherhood who know enough about this situation. The railways obviously are the only ones who have experts, other than the Board of Transport Commissioners. I think the logical group to make this study is the Board of Transport Commissioners. I do not think their present terms of reference are broad enough to cover this type of study, however. I think when they are looking at a situation they are only considering first of all the convenience of the public and, secondly, the effect on the railway's operating expenses.

I know from attending some of the hearings of the Board of Transport Commissioners when the railways have been asking to take off a train that the Board has questioned many of the expenses that the railways show in the operation of the train, and in many cases they have reduced these expenses. However, the Board's ultimate aim is to protect the interest of the public. I think if they had other terms of reference, if they had a subsidy to pay out, as they have in the freight rates cases where they could make up for the true losses of the railway in operating this service, then they would take a different look at the situation. But I think that is the only place outside the railway organizations themselves where you can find the experts who can make a true study of this sort of thing.

Mr. BELL (*Saint John-Albert*): In other words, you would be satisfied to have the Board of Transport Commissioners involved in this study provided they were given very definite terms of reference?

Mr. WALKER: Yes, and also provided there were some sort of policy set down by the government indicating the direction in which they want the passenger traffic business to go.

Mr. BELL (*Saint John-Albert*): I have just a couple of short questions to put to you, Mr. Walter. In the final analysis, is it your suggestion that all lines be taken over? I think you did say that the operation of passenger lines should be declared to be in the national interest and, presumably, this would include nearly all existing passenger services at the present time.

● (10:35 a.m.)

Mr. WALTER: Mr. Bell, I did not want to leave the impression that we are in favour of nationalization; we do not want the lines to be taken over but we do want the service. If the operation of these lines is found to be in the national interest, by whatever body is brought together to determine this, then we want the services balanced between the two railroads. As I said, we want the whole subject examined thoroughly and, if necessary, subsidies paid. In my opinion, if the railroads are told—and in our discussion this morning we are speaking of the C.P.R.—that they must deliver in the passenger business they will do just that, and in as economical a way as possible.

Today we have a reversal of the situation that existed about 1958 when Canadian National Railways could not get enough passengers on their trains to keep the two transcontinentals running, at that time they were endeavouring to take off one of the transcontinental trains. Although Canadian Pacific was providing the service Canadian National Railways obviously felt they could not get out of the business and decided they had to do something to attract business. I think if this same incentive was taken up by the Canadian Pacific it also could do a job in upgrading their service and equipment.

Mr. BELL (*Saint John-Albert*): At a previous session I put some questions with regard to whose responsibility it was to see that the service we have across the Bay of Fundy was operated in the national interest. I suggested that this service was of interest to all of us because the pattern in this respect somewhat resembled the Canadian. As I said before, Canadian Pacific is providing a fair and perhaps even a good service in that part of our country although it will not be the best economical proposition in the future. Because of this, we are suspicious that it will be allowed to deteriorate. My problem is that I am unable to decide at what point the government should step in; in other words, at what time the deterioration will reach such a stage that the government should take the responsibility for the sake of national interest, as defined in the MacPherson Commission report. But, Mr. Walter, you may have helped me solve my own problem in this connection; you have suggested that in the near future, after a study has been made, the government should, in the national interest and under your formula, take over in a fair way the responsibility of both railroads with respect to their passenger services and that some suitable authority in conjunction with the Board of Transport Commissioners should recommend subsidies, where necessary, in respect of the maintenance of these passenger services. Am I summarizing this in the correct way?

Mr. WALTER: Mr. Bell, I think you have summarized it correctly except you mentioned the words "take over" and I do not want to leave any impression that we want the government to take over any portion of the railway service.

Mr. BELL (*Saint John-Albert*): Then, in view of your statement with regard to the obligations of the Canadian Pacific, I assume that under the old act there would be no way in which Canadian Pacific could get out of their responsibility to maintain the Canadian.

Mr. WALTER: I think there should be no way that they are able to get out of their responsibility of maintaining a passenger service, and I think they should do this on a relatively equal basis with Canadian National Railways.

The Acting CHAIRMAN (Mr. Deachman): You are next, Mr. Reid.

Mr. REID: Mr. Walter, I was interested in your discussion with Mr. Allmand on the cost of new equipment. It always has been my contention that one of the reasons there is a drive by the Canadian Pacific to get out of the passenger business is that it finds the cost of replacing its present equipment is not justified by the returns that it would get on its investment.

Mr. WALTER: Precisely. I would say that is correct. In fact, this applies not only to the rail passenger service but to the Great Lakes Steamship service now.

Mr. REID: And, you could say that the company, as a whole, is caught in the cost price squeeze.

Mr. WALTER: Yes.

Mr. REID: And that rates both in the passenger and freight business, and even in their steamship business, are frozen by government edict.

Mr. WALTER: Yes.

Mr. REID: Could you tell me if the Canadian Pacific has much freedom in regulating the fares it charges when it enters into competition with other modes of transportation such as buses for passengers and trucks for freight and express business. Is there a very narrow limit under which they have to operate?

Mr. WALTER: They can move up to the limit of 5 cents per mile, as set down by the Board of Transport Commissioners, and that is the maximum they can charge.

Mr. REID: Could you give me the approximate passenger capacity of the Canadian when they are running an average train of, say, 18 to 20 cars.

Mr. WALTER: I do not think that 18 to 20 cars is an average train but, rather, 12 to 14 cars.

Mr. REID: But, they have been running 18 to 20.

Mr. WALTER: Yes but that has been since the service has been reduced on the Dominion.

Mr. REID: But, I believe that was true even before this occurred.

Mr. WALTER: Well, I was not aware of that. However, I know in the summertime that train gets up as high as 22 cars.

As you will recall, Mr. Sinclair mentioned that difficulty was experienced with the heating of the train but, here again, this could be remedied with the purchase of new equipment. As you know, Canadian National Railways purchased several steam generated cars which boost the heat back through a longer train, and this could be done by the C.P.R. as well. So, they could increase the length of this train if they had the equipment to do so.

Mr. REID: Well, on the average what, in your opinion, would be its capacity in persons? Would the figure be 250?

Mr. WALTER: It seems to me a figure of around 250 was mentioned but I am not too sure of that.

Mr. REID: I was interested in your conclusions on a national transportation policy, and also that one of the difficulties of setting up a national transportation policy is that some aspects of transportation are going to be hurt. As we all know, the railroad is the oldest established form of transportation in Canada.

Mr. WALTER: Yes.

Mr. REID: And, as you know, there has been some talk that the railroads are becoming technically obsolete. I can give two examples in this connection. First of all, there is the prospect of a new aircraft by 1970 which is supposed to have a capacity of between 600 and 700 passengers; second, there is the development of pipe lines which can move solids—and, in this connection, I am thinking of Anaconda opening a new mine in northwestern Ontario where they are investigating the prospects of moving the iron pellets to the Lakehead by pipe line. If we come out with a national policy and then find that these methods of transportation, requiring no subsidy, prove much more efficient than the railroads are going to find themselves in a bad situation and no amount of subsidy is going to keep them alive. This would lead me to believe that if we have a national policy we will have to leave it open at one end so that it will be sufficiently flexible to take into consideration these technological innovations. In view of this, may we not have to face the prospect that the railroads may not have any use in 10 years time.

Mr. WALTER: Well, I do not think that these technological innovations will take place overnight. The railroads have met the threat of the pipe line in the transportation of gas and oil products from the west. True, the railroad did not handle a lot of these commodities prior to the pipe line but they did handle coal. The railroads have moved with the times. They have adjusted their operations to deal with these new innovations and I think more gain will be made in the future. I think there would be difficulty shipping many of the commodities by pipe line which the railroads presently handle, and I am thinking of automobiles, timber and so on. I think there always will be a place for the railroads if the economy expands in the manner in which many people in this country think it will.

Mr. REID: We all hope it will.

Mr. WALTER: I think it will.

Mr. REID: I would like to discuss now the question of subsidization. It would seem to me, that whenever one brings this question up he finds himself in tricky waters. There is always an irresistible pressure put on the government when this question is brought up, and there is a tendency on its part to try to get out of it. If we begin to subsidize rail passenger transportation what happens to the subsidy principle, say, when this new aircraft comes into being 5 or 10 years from now, even if we are paying a subsidy to airlines now through the provision of D.O.T. services, airports, radio, radar, sonar and so on? In other words, there is the danger that if we put a subsidy on we are only prolonging the death of the service.

Mr. WALTER: I do not feel that subsidies should be used to prolong any service that is not required. I feel there is a requirement for railway passenger service and I think it will be more effective with your larger aircraft. When these new aircraft are introduced I think the government of Canada will find that the airports they have built at Malton and these other places will be out of date.

Mr. REID: According to the special specifications and so on it is my understanding that these new aircraft will be able to take off with less room.

Mr. WALTER: But I am not talking about landing fields; I am thinking of the facilities that have to be provided for the movement of these passengers. I think you might find that there will have to be other airports or larger ones erected and, of course, the money will be found in one way or another for these. It seems today that subsidies can be found very easily with regard to air lines although there may be difficulty finding subsidies for the railroads.

Mr. REID: Officials of the C.P.R. already have made the point that a subsidy was being paid on its passenger service by the freight users. Is it proposed under your plan that the government would take up the subsidy and that there then would be a decrease in freight rates since these rates no longer would be supporting passenger service?

Mr. WALTER: I think that is something the government would have to decide. It states in paragraph (b) of the proposed national transportation policy:

... each mode of transport, so far as practicable, pays the real costs of the resources, facilities and services provided at public expense; and (c) each mode of transport, so far as practicable, receives compensation for the resources, facilities and services that it is required to provide by way of an imposed or statutory duty.

I believe that is a proper policy for the government to follow, and they would have to deal with it.

Mr. REID: Do you feel transcontinental service can be made to pay or even break even?

Mr. WALTER: I really do not know that I am in a position to answer your question; my point is that it should be maintained whether it pays or not. I do think if the incentive is there to maintain the service the railroads will do everything in their power to make it pay.

Mr. REID: Do you feel that the future of rail passenger service is in transcontinental or local service in highly densely populated areas?

Mr. WALTER: I think the railroads have possibilities in both fields. I think that this new equipment, which is being discussed, will provide the means of moving people between two cities, such as Toronto and Montreal, and I think that aspect should be investigated. Also, I think there is enough traffic in this country to support two transcontinental trains on each railroad at certain times of the year.

Mr. REID: Am I correct in saying that the company which is providing this new equipment for passenger service is United Aircraft?

Mr. WALTER: Yes, and the Budd people.

Mr. REID: But, they are going off in different directions.

Mr. WALTER: Yes, but they are both providing a similar type of service.

Mr. REID: The whole point of this equipment, as set forth in the bill that was passed by the United States Congress, is that it would provide transportation in the very congested eastern seaboard areas of the United States.

Mr. WALTER: Yes.

Mr. REID: And, there have been indications that what they are doing really is not relevant to our problem in Canada, which is the provision of a national transcontinental service.

Mr. WALTER: Well, if the problem of this committee is a national transcontinental system, I agree, but my understanding is that we are discussing the whole of our passenger policy.

Mr. REID: Thank you, Mr. Walter.

The Acting CHAIRMAN (Mr. Deachman): Mr. Southam, will you proceed.

Mr. SOUTHAM: Mr. Chairman, several of the questions which I was about to put already have been covered fairly well. However, I would like a little more elaboration on your statement at page 5, which says:

It is clear that there is a sharp difference of opinion between the Canadian Pacific and the Canadian National as to the possibility of reducing passenger losses.

Could you elaborate on that statement, Mr. Walter?

Mr. WALTER: Obviously, Canadian National Railways feel they can reduce passenger losses by attracting more people to their service through the red, white and blue fare system and so on. When officials of Canadian Pacific appeared before this committee they stated that they tried the Faresaver plan but although this had the effect of attracting more people to the service the total loss was greater as a result of attracting these people. So, as you will see, there is a wide difference of opinion, and I would imagine you will follow up this line of questioning when officials of the Canadian National Railways appear before you.

Mr. SOUTHAM: One of my reasons for putting the question is that when these officials of the Canadian Pacific were here the old difference of opinion came up with regard to their cost accounting systems and how they arrived at profit and loss figures. To your knowledge, do the two railroad systems use approximately a similar type of cost accounting system to arrive at the various figures they put forth in respect of passenger service?

Mr. WALTER: I cannot answer that because I do not know anything about the subject of cost accounting. But, I do know that I have questioned some of the costs that the Canadian Pacific has included in its estimate of the cost of providing a certain service.

Mr. SOUTHAM: I, like most of the members of this committee, feel that transcontinental passenger service is an absolute necessity and that we have to resolve this on a practical basis as we develop policies along these lines. I was quite concerned with the statement made by one of the witnesses last week—I think it was either Mr. Sinclair or Mr. Emerson—that it has come to their knowledge of late, looking at the economics of air transport versus rail transport, that there definitely is an economic advantage in air transport. Figures that I was able to accumulate indicate a possible two to one ratio; in other words, you could move twice as many passengers by air as you could by rail. One of the witnesses corrected me at this point and said he felt the ratio was more like four to one. Now, this was quite enlightening because if this is true you can see where a company which is engaged in a dual transportation business, like Canadian Pacific, having both air and rail passenger service,

naturally would want to direct passengers to the air rather than to other means of travel. Of course, this makes me feel that there has been a direct tendency on the part of Canadian Pacific to reduce rail passenger service by encouraging their passengers to take to the air as opposed to rail, from an economic point of view.

One can understand this in our free enterprise system. However, I would like to revert to something which was raised this morning. I am referring to the increase in population and our expanding economy. I was very interested in hearing Mr. Crump, in his opening statement to the committee, say that he felt he had underestimated the development of the gross national product and the buoyancy of our economy in the provision of future services. It is not my wish to bring another topic into our discussions but it is evident from a recent check-up of our box car service for the hauling of grain that we have not kept in step with the buoyant economy in budgeting for these services. I am looking forward to 1967 in this regard and thinking of the tourist industry, which provides the third largest source of income in Canada today. It has been estimated that by 1967 the tourist industry will reach the \$1 billion mark. In this connection I am wondering what provision the railroads have made, particularly the Canadian Pacific which is now under study, so far as passenger services are concerned, and what they are going to do to meet this increased demand.

In your opinion, Mr. Walter, are they looking far enough ahead in their formulation of plans to accommodate the large masses of people who will be in Canada in 1967 to ensure that they will not find themselves lacking in facilities to provide this service?

Mr. WALTER: No. On the contrary, I think they are doing what the American railroads did prior to the last World's Fair in New York City; they are trying to get out of the passenger business so they will not have the obligation to provide the service when that time comes. I believe that is what the Canadian Pacific is doing. Also, I believe they are trying to transfer their rail passenger service to air service because they have ready-made facilities across the country provided for by the people of this country, in the form of all our new facilities which are offered in all major cities of Canada, they see this as an opportunity to get into a mode of transportation where they do not pay the true cost of the facilities that they must use to provide air transportation. On the other hand, if they are going to provide rail transportation they must provide the equipment and they must maintain their right of ways to a certain standard to operate their trains, and this costs money. In my opinion, this is where the federal Government should come into the picture and subsidize or provide the out-of-pocket expenses of the railroads in providing these services, as they do in the case of the airlines.

Mr. SOUTHAM: You are exposed to the general public to a great degree by travelling back and forth across this continent. Do you still find a large number of people, and I am thinking particularly of middle aged groups and over, who prefer to travel by train rather than by air?

Mr. WALTER: Well, I do not think I can give a fair answer to your question because I only hear about the people that want to travel by air.

Mr. SOUTHAM: Those are all the questions I have at this time.

The Acting CHAIRMAN (*Mr. Deachman*): Will you proceed now, Mr. Fawcett.

MR. FAWCETT: Mr. Walter, I think it is general knowledge that if one is contemplating a trip to the west coast during the months of, say, June, July, August or perhaps even September, one would be very fortunate in acquiring accommodation on the days one wishes to travel. In view of my experience in this connection, and I am sure in many others, would you not say there is as much of a demand, or perhaps more, for rail transportation today as there was, say, seven or eight years ago?

MR. WALTER: I would agree with that.

MR. FAWCETT: But, are you aware of the fact that if one contemplates a trip to the west coast it would be very wise to make reservations now, and even then perhaps you would not acquire the reservations for the days you wanted to travel.

MR. WALTER: Well, from my own experience, I can say that I went west in July, 1965: I made my reservation almost four months ahead of time with the Canadian Pacific. I had to take space on the second section of the Dominion out of Ottawa, headed west, although I would have preferred to go on the Canadian. In leaving Winnipeg that second section had 24 cars on it. Now, granted, a lot of these cars were American tour cars which came into Winnipeg, I believe, through the Sault line, and this caused a great crowding on the train. But, that train was loaded right to capacity from there to the west coast. I got off at Calgary. So, gentlemen, this situation does exist. I understand that people are having difficulty getting reservations on both the Canadian National Railways and Canadian Pacific at the present time.

MR. FAWCETT: Then, I think we all have to face up to the fact that the demand for railway transportation is not falling off. I would have to say, from my own personal experience in working on passenger trains, that the demand for rail passenger service is not falling off and that, on the contrary, the demand becomes greater year by year. This would indicate to me that if there was a little pressure exerted on these railways to provide the proper type of equipment and facilities there would be little talk of the death of rail passenger service.

I worked for four months last summer on the Super Continental. I was on the Toronto section of it from Capreol to Hornepayne, and we travelled night after night with people riding in lounges and cafeteria cars because we could not accommodate them in the other cars. Even though transportation is arranged ahead of time there are always people showing up who wish to go and what are you going to do with them? They cannot be turned away.

In my opinion there is a greater demand for rail transportation today than there has been at any time in the past, and I cannot agree with the observation that perhaps this is only by the older people. There are just as many younger people travelling on the trains today and, in fact, a greater number of the younger group are more interested in rail passenger service today than was the case in the past.

Are you aware of the situation at Sudbury? This bears out the fact that the Canadian Pacific, toward the end, was endeavouring to get rid of their passenger traffic. They took off the Dominion which had a good connection for the Sault.

Mr. WALTER: Yes, I understand.

Mr. FAWCETT: I do not know how many weeks or months it took them to rearrange the schedules on their trains to the Sault in order to make a connection with the Canadian but it is only in recent days that they have made this possible; and now one can make a fairly close connection. However, in the meantime, Sault traffic has dwindled. This, to my way of thinking, is working toward actually getting rid of passenger traffic rather than trying to increase the traffic.

You mentioned something else as well which, I think, concerns particularly all Canadian National employees. While we are aware of the fact that rail passenger traffic is increasing we could get to the point that after a while we would be in an overloaded position so far as rail passenger traffic was concerned and then we could not efficiently handle our freight traffic. This is the position the Canadian National Railways are going to find themselves in. I know that many of the officials are concerned with this matter at the present time. I do agree that this certainly is very probable in the not too distant future.

Mention was made of the handling of iron ore pellets by pipe line. I do not know whether or not you are aware of it but a lot of negotiation takes place between these iron ore companies and the railroads because these companies have to negotiate a rate within reason. They have to arrive at a balanced figure whereby the railroad can handle that traffic at a rate that will pay them to handle it and the ore company can afford to pay.

The best freight business is transportation of packaged goods such as merchandise handled on a fast freight train, the automobile traffic and this sort of thing. I do not know whether there is any point in my trying to add any more to this or not, Mr. Walter. I have no question because, being a railroad man myself, I agree pretty thoroughly with everything that is said in your brief.

● (11:05 a.m.)

The Acting CHAIRMAN (Mr. Deachman): On occasion this morning we have wandered a little from the subject of the examination of the C.P. passenger business. I invite you all, as you examine the witness, to keep as closely as possible to the subject at hand.

Mr. PASCOE: We have a pretty clear and concise brief before us. I think most of the questions have been answered on problems that have arisen. I have one or two direct questions to ask.

On page 6 Mr. Walter says "the men I represent". This brief is presented by the Brotherhood of Locomotive Engineers. Are these C.P.R. engineers?

Mr. WALTER: No, they are locomotive engineers on all railroads in Canada except the Newfoundland lines of Canadian National.

Mr. PASCOE: How was this brief prepared? Was it prepared in conference with all of them?

Mr. WALTER: In conference with what we call our national legislative board which has representatives in all the provinces and main terminals of the railways across Canada.

Mr. PASCOE: Was this brief approved by them?

Mr. WALTER: Yes, that is right. We meet from time to time and we discuss the subject with which we have to deal. They gave me the authority to go ahead on the basis of our discussions and prepare a brief.

Mr. PASCOE: I have one more question. You have referred to the head-end traffic that was on the Dominion. Is it on the Canadian now?

Mr. WALTER: It has never been the policy of Canadian National, as I understand it, to handle head-end traffic on the Canadian. I have noticed in the last few years they have had one head-end car which is a red baggage express type of car. I do not know what they carry on it but it goes right across the country. Whether they are handling head-end traffic on the Canadian or not I do not know but the original idea was that no head-end traffic would be handled on the Canadian.

Mr. PASCOE: Does head-end traffic include the main service?

Mr. WALTER: For instance on the Dominion we used to get cars of fish from British Columbia, from the head of the lakes, coming east.

Mr. PASCOE: Where is it handled now?

Mr. WALTER: This is handled on the fast freight service. The railway officers explained that.

Mr. PASCOE: The whole trend of the brief appears to be for the restoration of the Dominion. Are your men quite convinced that there should be a second complete transcontinental train service rather than day liners or rail liners to feed the Canadian?

Mr. WALTER: I would say that we are convinced that if the railway got out and worked at it they could attract enough people in this business to substantiate its operation. I do not mean substantiate it from the point of view of profit and loss but to call for the running of such a train. I do not think that they would get enough people on the Dominion if it were reinstated in the way they were operating, with the equipment that they had on it.

Mr. PASCOE: Is the consist of the Dominion still available; from your own observations, is it still being held in storage, or what are they doing with it?

Mr. WALTER: I imagine it is. I may be wrong but I understand the judgment of the Board indicated that they should keep this equipment available until 1967 when they will determine if there is a need for it.

Mr. PASCOE: In the last hearing reference was made to the big new diesels of 3,000 horsepower, or something like that. Could they be used on the Canadian to handle more coaches?

Mr. WALTER: The problem is not one of power. These new diesel electric locomotives that the C.P.R. are purchasing are freight units. The problem of moving the Canadian across the country is not one of having enough power because they can simply add additional diesel units to the train in order to move it. These new locomotives would not be beneficial for moving the Canadian.

Mr. PASCOE: Most of the questions that I wanted to ask have been answered, as I said, but I have one more. This is from my own personal experience. I went out to the coast on the Canadian last fall, travelling from Moose Jaw; the Canadian was late that day because, as it appeared, it was put on the siding to wait for the freight to go through. Is that the policy now?

Mr. WALTER: I do not know whether it is the policy, but it is possible they would do this.

Mr. PASCOE: I was wondering whether it was the general policy.

Mr. WALTER: I do not know, but in C.T.C. operation where the traffic is moved by signal indication rather than by train orders, the dispatcher does not hesitate to put a passenger train into siding rather than the freight train because it is easier for the passenger train, in many instances, to go into siding and it saves time in the long run.

The Acting CHAIRMAN (*Mr. Deachman*): I guess they were moving your grains so you would have enough money to travel on the Dominion.

Mr. PASCOE: I did not object to it.

The Acting CHAIRMAN (*Mr. Deachman*): I think we have come to the end of our questioning now, unless there are any further questions to be put to the witness.

Mr. BYRNE: I was not on your list, Mr. Chairman, but if you are running out of questioners I might make a couple of observations.

Mr. Walter indicated that he felt the locomotive engineers had made an important concession when they negotiated the new agreement following dieselization. So you really consider taking men out of the various units and putting only a crew on the head-end was a major concession, having regard to the fact that many millions of dollars were spent on this new equipment?

Mr. WALTER: I do not say that it was a major concession. I put it forth only as an example of how our rule changed when we required one crew, one locomotive. Our crew consist, if you want to call it that, was changed in direct negotiation to meet the circumstances arising out of the technological advance. I do not say it was a major concession. I might even say that if we had held out for one crew, one locomotive, we might have lost everything. The final result of it was that we arrived at the rule that paid our men more money for the responsibility of operating a larger locomotive, and the company benefited from it.

Mr. BYRNE: I want to congratulate you on that.

Mr. WALTER: You should not congratulate me on that because it was developed in the United States long before it reached the Canadian scene. We simply adapted a U.S. rule to our situation in Canada.

Mr. BYRNE: I must say, Mr. Walter, that you and I are really on all fours on one question, and that is the matter of whether or not the Canadian Pacific should be nationalized. We are in complete agreement there.

Having determined that, do you not think that what the employees of the railway, really should be doing, having realized that a profitable operation generally tends to improve the conditions of the employees, is endeavouring to assist the railway to attack these problems of losses rather than to insist on carrying burdens which, they feel, will result in losses?

Mr. WALTER: I think if the situation were as clearcut as that, then I would have to agree with you, but here we see a situation where there is an obvious market for a certain amount of passenger service in Canada, and we see this service being transferred from the private corporations where it is considered a burden, to the publicly-owned corporation where it is being handled at greater expense to the country.

Mr. BYRNE: I believe it was Mr. Emerson or Mr. Sinclair who gave evidence that it was their opinion that very little, if any, of the traffic that is being

displaced by the elimination of the Dominion will be transferred to the Canadian National Railway. In any event, the Canadian National Railway is still advertising on the radio and asking for passengers. They are spending a lot of money on advertising, so this cannot be too serious a problem, if it is in fact a problem.

Mr. WALTER: I think I have said in my brief that I do not believe the C.N. will be able to resist the temptation to handle this extra passenger service even at the cost of a greater outlay for equipment. Last year they had a deficit of \$60 million and a lot of it was brought about by the purchase of new equipment and by the upgrading of existing equipment. If this is going to go on, it is going to cost the people of Canada a great deal of money. I simply suggest that this burden, if it is a burden, should be shared by the two railroads and that the \$60 million deficit of the C.N. may be reduced if some of the burden were put on the C.P.

Mr. BYRNE: You said in your brief that there is a potential of something like \$100 million demand over the next few years. Do you really mean that there is only \$100 million in passenger demand while we are admitting that there is \$60 million deficit over one year?

Mr. WALTER: You will have to deal with the C.N.R. on this question. I simply arrived at the figure of \$100 million by adding the fares collected by the two railways on their passenger service last year.

Mr. BYRNE: Some years ago, I believe it was in a pamphlet or a periodical that appears under the aegis of the Canadian Railway Association, it was pointed out statistically that the cost of roadbed maintenance of railway operations was something like 40 to 44 per cent of the cost of the operation, while, on the other hand, the cost of roadbed maintenance for buses and trucks—which may introduce the question of freight—was something like 13 per cent. Have you any views on that?

Mr. WALTER: The only views I have arise out of some studies that we did when we were going to appear before the MacPherson Commission on Transportation. At that time we found that the true cost of building and maintaining the highways was not borne by the highway traveller. I know that is very general but I cannot remember the figures. Did you say 18 per cent?

Mr. BYRNE: If I remember correctly—I may be off a few cents one way or the other—it was so startling that it stayed in my mind—I think it was 13 per cent as compared to 44 per cent.

Mr. WALTER: It is possible. I do not know whether this 13 per cent would be the full cost of building and maintaining highways.

Mr. BYRNE: No, this was not the inference. I believe the inference was quite correct, that the passenger of the automobile in paying the 13 to 16 cents a gallon of gasoline and a licence, plus the cost of general revenue that goes into the maintenance of highways, did not pay for the construction but rather that there was a subsidy there. Do you not believe that your organization should be spending not all but some of your energies in trying to persuade the government that those who are using the highways should pay a greater share of the cost of roadbed maintenance so that you would be more competitive?

Mr. WALTER: Our provincial committees do this every year. They urge the government to charge the trucker by licences, gas tax and so on, a fair cost of

building and maintaining the highway. We have been accused, in doing this, of trying to benefit ourselves. I guess that is what we have been trying to do.

Mr. BYRNE: You have been accused of what ?

Mr. WALTER: Of trying to gain benefits for our own people in putting forth this suggestion.

Mr. BYRNE: This would be justified. You are in a competitive business.

Mr. WALTER: We do this every year through our provincial committees, that is in meeting the provincial government.

Mr. BYRNE: Do you really believe it is good business to subsidize a service that apparently is not required? You have said here we are subsidizing buses and airlines, which is perfectly correct, and I believe this amounts to a large sum. However, these facilities are being used to the fullest extent. Do you believe you have a good argument that we should continue to subsidize a facility that is apparently no longer desirable.

Mr. WALTER: I cannot answer that because I am not convinced that it is not desirable or necessary.

Mr. BYRNE: We differ in our opinions.

Mr. McINTOSH: I have one question, Mr. Chairman.

The Acting CHAIRMAN (Mr. Deachman): I think Mr. Tolmie had some questions first.

Mr. TOLMIE: I have one very short question. Mr. Walter, in your brief you state

The men I represent tell me that it is not possible to maintain the high standard of performance previously called for on "The Canadian" and handle the extra work resulting from cancellation of "The Dominion". There is a general apprehension that "The Canadian" service will deteriorate to a point where the public will not ride this train either and then all will be lost.

Have you any evidence to date to show why the service on the Canadian has deteriorated since the cancelation of the Dominion?

● (11:25 a.m.)

Mr. WALTER: Without taking into consideration the other services on "The Canadian", my men tell me that when they are required to make these extra flag stops they have to run at a higher speed in order to get the train in on time. At one time the company used to restrict "The Canadian", by order, to making up only five minutes over a subdivision. They did not want it to run fast and cause discomfort to the passengers. But this is not apparently the policy now. The engineer who operates on that train between here and Montreal is allowed, when he makes extra stops, to go to it and get that train into Montreal on time if he can do so—keeping within the operating rules, of course. This does not provide for the same standard of comfort that we had when "The Canadian" was operating on the old schedule.

Mr. Crump said, I believe, that a great deal of consideration went into the setting up of the schedule of "The Canadian". He said he had a lot to do with it, and I believe that. "The Canadian" schedule is the only train schedule that we,

as operating people, have seen which did have some real thought behind it. The way the schedule was set up reflected the type of country the train ran through.

We agreed that that was a good schedule; but now more stops and more flag stops are being introduced on this train, so therefore they are defeating their own purposes. They are providing a schedule that is not as good as the original schedule they set up.

Mr. TOLMIE: Mr. Walter, are you saying that if they have to stop more frequently they have to go faster in order to maintain the schedule, and therefore it is more inconvenient for the passengers and they do not get as good a ride as formerly?

Mr. WALTER: That question was put to Mr. Crump in this committee and he said, "We have no difficulty in making the time." I think that is what he said—there is no difficulty in making the time. This means the engineer running the train has no difficulty in picking up the time he has lost in making an extra stop or a flag stop. In order to do this he has to run the train at a higher rate of speed than was originally intended when the schedule was set up, and this does make for a rougher ride, if you wish to put it that way.

Mr. TOLMIE: Are there any other things which have deteriorated from your personal observation since the elimination of "The Dominion"?

Mr. WALTER: I have not given it any thought; I really could not say.

Mr. McINTOSH: Mr. Walter, I did not get the answer to a question that was asked, I think by Mr. Fawcett. I think he asked you if any of the locomotive engineers had lost their positions as engineers. You were figuring on a piece of paper and I did not get your answer.

Mr. WALTER: They have not lost their positions as locomotive engineers. What happens is that, generally speaking, the top men in seniority are on passenger assignments, and as passenger assignments are cancelled out these men move to freight, freight men move to spare work, and spare men move to firemen. They would not be losing employment. The ones at the bottom of the list are working as locomotive firemen and helpers.

Mr. McINTOSH: The officials of the Canadian Pacific Railway Company said the locomotives that were taken off the passenger service were put on to freight services, so in my mind there should be no loss of positions.

Mr. WALTER: What happens here is that in all probability the locomotives which come off the passenger service are worked in combination with other locomotives on the freight service, so it does not take increased crews to work the increased locomotives. You can work one diesel locomotive in conjunction with another. You can add up to five or six units.

Mr. McINTOSH: So there would be some crews who would lose their positions?

Mr. WALTER: There are crews who would lose their positions as locomotive engineers on the passenger service, but they would not lose employment.

The Acting CHAIRMAN (Mr. Deachman): We seem to be moving into a second round of questioning. Before I call on Mr. Reid, who has already questioned the witness at some length, I would ask if there is anyone else who wishes to put any questions who has not already done so. If not, I will call on Mr. Reid.

Mr. REID: I have just one question, Mr. Chairman. Since the cancellation of "The Dominion" has there been a loss to railway employees of their pass rights?

Mr. WALTER: No. Of course, employees cannot travel on "The Dominion" when it is not there and this is the train which employees were required to use when the service was on. During the winter months when the sleeping car service was taken off "The Dominion", employees were able to get transportation on "The Canadian". I understand that Canadian Pacific employees can travel on "The Canadian" at the present time. So there has been a loss of convenience to the extent of having "The Dominion", but they are still able to use their passes on "The Canadian".

Mr. ANDRAS: May I ask a supplementary question?

Is it not correct that the passes can only be exercised within 12 hours prior to the departure of the train?

Mr. WALTER: I have not seen the last instructions issued by the company but I understand that a Canadian Pacific Railway employee can reserve an upper berth only on "The Canadian". Of course, the difference in "The Canadian" and "The Dominion" is that one could get on "The Dominion" at any time and take a coach seat, but "The Canadian" has all reserved space and unless one is able to get the sleeping car space allotted to employees—which is upper berth sleeping accommodation—one cannot get on the train. Once you get on the train I understand if there is any other space available you can trade it for the upper berth. The employees do have difficulty in getting on "The Canadian" because of the fact that it is loaded all the time.

Mr. REID: The employees pay for the sleeping space they get but they get their transportation free?

Mr. WALTER: That is right.

Mr. REID: In much the same way as Members of Parliament get their transportation free but pay for other services?

Mr. WALTER: That is right.

Mr. PASCOE: I would like to add to that. I asked that question at the last hearing and Mr. Emerson said that the railway employees have the right to unrestricted use of "The Canadian" on the basis of a 50 per cent fare reduction.

Mr. WALTER: No, he was going beyond the pass. What he was saying was that they are restricted in the use of passes, but they have the unrestricted right to travel if they pay half fare. They can apply for a half fare order and reserve any type of accommodation.

Mr. PASCOE: I see, but they can use their passes, unrestricted, if they just take their chances?

Mr. WALTER: They are restricted in the use of their passes because they can only reserve upper berths, but they have this unrestricted right if they want to pay half the fare.

Mr. BYRNE: Can you tell me Mr. Walter—and I am sure you can—what makes the position of engineer or fireman on the passenger train more desirable than the position of engineer on a freight train? Is it a matter of salary or wages?

Mr. WALTER: No, as a matter of fact you are paid less per mile for running a passenger train under our contract than for running a freight train.

Mr. BYRNE: Or per day?

Mr. WALTER: Or per day, yes. However, I think the main factor is that it is a regular assignment and it goes to work at a regular time, and you can pretty well depend on getting home at a regular time each day.

Mr. BYRNE: It has nothing to do with remuneration?

Mr. WALTER: No, it has nothing to do with remuneration.

Mr. BYRNE: Senior employees naturally would be able to acquire those positions? Is that it?

Mr. WALTER: That is right.

Mr. BYRNE: It is not necessarily the case that they are more expert or have any particular qualifications?

Mr. WALTER: No, the seniority rule works except that they have also to be qualified to handle the train. In other words, the railway company does not interfere with the operation of seniority except when a man wanted to exercise seniority on that train who was not physically fit to handle the train or, in the railway company's view, was not able to handle the train.

The Acting CHAIRMAN (Mr. Deachman): Gentlemen, I think that concludes the questions for this morning.

Are there any other questions before we adjourn?

Mr. FAWCETT: This comment arises out of something Mr. Byrne was trying to get across. I do not think he quite got his idea across.

Mr. BYRNE: That would not be unusual!

Mr. FAWCETT: I think Mr. Byrne's question had something to do with the inference I drew from what Mr. Sinclair said—that the railway unions were not prepared to negotiate. I think this had something to do with the matter of crew consist which had created additional expense.

Was that part of your question? I gathered this is what you were driving at.

Mr. BYRNE: No, my question dealt with the amount of co-operation the company received from the union for immediately effecting new and improved methods such, as automation, dieselization and so on.

Mr. FAWCETT: This was the point I overlooked when Mr. Sinclair made the remark, and I gather he implied that it was because of the ultimate position of the crew consist that they were carrying a heavier burden in the way of compensation for employees; and I would have to remark on that that I do not think you could reduce the train crew consist on passenger services, not only as far as the train crews are concerned but also the dining car staff, and so on. They will have to come up with some different method of handling sleeping and eating facilities if they are going to reduce the staff; and I think here the onus is on the railway companies rather than on the employees because they have never come up with a suggestion to my way of thinking that could reduce the consist. I thought this was what you were coming to when you asked that question.

Mr. BYRNE: No, my question dealt entirely with the head end, or what is known as operating crews, and the point that with the old locomotives there had to be a crew in every unit. I wondered whether Mr. Walter felt it was a major concession to drop a crew from the units behind. I believe it was pointed out by the management that they were unable to get the co-operation that

would have the immediate effect of making the additional costs worth while. That was the impression I obtained from management. Whether it is a correct one or not I do not know.

Mr. FAWCETT: There is another point, Mr. Walter, in connection with displacement. For instance, the head end crews, the enginemen and firemen would not be affected detrimentally by the cancellation of a train such as "The Dominion" as would the tail end crews. Is this not because there are all kinds of trains running without firemen but, owing to their contracts, subsequent to the Kellock Commission, if a man was employed as a fireman he must be given a job as a fireman if he no longer stands for a job running an engine, whereas in the case of tail end crews this displacement works down to the trainmen, and the lower men on the totem pole are cut out of a job altogether, so there must be a difference between the two classes.

Mr. WALTER: Yes, there is quite a considerable difference. Had firemen been required and remained on the job, as they were in the steam days, then we would be in exactly the same position. There would be firemen laid off on the bottom of the list as a result of the reduction in these jobs.

Mr. BELL (*Saint John-Albert*): Mr. Chairman, through you I would like to thank Mr. Walter for coming here and answering questions in a straightforward manner. I think it has been very helpful to us for our final recommendations.

The ACTING CHAIRMAN (*Mr. Deachman*): Thank you, Mr. Bell.

I understand Mr. Walter is expected back in Montreal by one o'clock. He is willing to answer further questions if you have them, but he does have an engagement, so unless there are important questions to be asked of the witness and as you have all had an opportunity to talk to him this morning, I think this would be a convenient point at which to conclude this morning's session and await the call of the Chair.

Is that agreed?

Agreed.

APPENDIX C
SUBMISSION
on behalf of
BROTHERHOOD OF LOCOMOTIVE ENGINEERS

March 1966
Ottawa

From the earliest days of Canada up to the present, the establishment and maintenance of efficient transportation and communication networks have been accepted as public responsibilities. It has always been recognized that Canada could not survive as an independent sovereign state if the building of canals, roads, railways, pipelines, radio and television networks, etc. were predicated on the profitability of the systems themselves, rather than on the economic and political interests of the country as a whole. The old St. Lawrence canals "didn't pay", the Seaway "doesn't pay", the C.B.C. costs uncounted millions, the trans-Canada pipe lines required massive government backing and the railways fabulous grants of funds, lands and exclusive franchises.

Tight control and a close scrutiny of public support to these facilities is no doubt required. But the national interest, broadly defined, must take precedence in these fields over concepts of profitability and over any narrow definition of need or usage of facilities.

An extensive trans-continental passenger service (even an excessive service in terms of profitability and average traffic offering) is an absolute necessity as a safe, reliable all-season system of moving masses of people across this great country in good weather and bad. The importance of such a service as a national defence asset is obvious. No less obvious is the psychological effect on Canadians: the knowledge that the very different economic, social and political regions of this country with their various population groups are all bound together by a first-rate, efficient and fast rail passenger service.

In short, we feel that the national interest in this matter must be broadly interpreted and should be given great weight. The questions of profitability and passenger carryings must, on the contrary, be narrowly interpreted and should be given little weight. Financing of the service does, of course, pose a problem, but we have every confidence that the Board of Transport Commissioners for Canada or the Government of Canada can find, as they *have* always found, the necessary means once the end has been defined.

Down through the years the Board and other similar tribunals have often heard it suggested that the Canadian Pacific has an obligation, by reason of its original charter, to operate a railway system which includes passenger service. There have been suggestions that passenger service should be maintained in return for the vast land grants and subsidies that have been paid the railway over the years. Our Brotherhood does not propose to argue the point—We do

propose to your Committee and, through the medium of these hearings, to the public and the Government that the issue should be settled once and for all. Since the people of Canada granted the Canadian Pacific its original charter and since that charter reads in part:

And the Company shall thereafter and forever efficiently maintain, work and run the Canadian Pacific Railway

it should be left to the people to decide what is meant by the words "forever efficiently maintain". This condition of the original contract should not be interpreted by Mr. Emerson alone who represents the vested interests of the shareholders of the Canadian Pacific. A commission should be established to determine the present-day value of land grants, subsidies, etc. to determine what portion of the vast worth of Canadian Pacific can be attributed to assistance from the people of Canada. Having established this, the question of the need for and the cost of two transcontinental trains on the Canadian Pacific should be studied. It should be determined whether or not upgrading passenger service would be likely to produce sufficient revenue to defray operating expenses. The Canadian Pacific's practice of diverting revenue-producing head-end traffic to other trains should also be examined. For example, Head-end traffic prior to last summer contributed to the revenue of "The Dominion". This is not the case at the present time. The consequences of the whole of Canadian Pacific's passenger handling policy should be studied to determine if the real objective of the Company is not to drive passengers from its rails. Such a study should also include a determination of how transcontinental passengers will be handled if the Canadian Pacific is allowed to reduce its services and what effect increased passenger traffic might have on the Canadian National. It is the position of our Brotherhood that such a determination is within the purview of the Board of Transport Commissioners for Canada. In support of this position I quote H. E. B. Coyne when dealing with Section 315 (then Section 312) of the Railway Act:

It is the practice of railway companies to apply to the Board for its approval before discontinuing the operation of any regular passenger train, and applications are frequently received from municipalities, boards of trade and private individuals for an increase in train service, or a change in train schedules. On such applications the Board's decision depends upon the circumstances of each case. The principal factors to be considered are (a) the convenience of the public; (b) the effect on the railway company's operating revenue and expenses; (c) the effect on other railway operations, for example, by causing congestion of traffic at a certain point; and (d) any agreement of the railway company to provide a specified service.

(Ref. "The Railway Law of Canada")

I draw your attention to clause (c): clearly "causing congestion of traffic" is of some concern to the Board. It is the opinion of our Brotherhood that curtailment of Canadian Pacific's passenger service will force an added burden on the Canadian National in the form of additional trains if the traffic is to be handled. If passenger service is as unrewarding as the Canadian Pacific claims, then the additional traffic flowing to the Canadian National is bound to increase the deficit position of that railway in passenger service. It is bound to have the

same bad effect on the Canadian National as we have heard Mr. Emerson testify it will have on the Canadian Pacific.

If a worsened passenger deficit were the end result of diverting passenger traffic to Canadian National it would be serious enough for the people of Canada but there is another aspect that your Committee should consider and that is the effect increased passenger traffic has on the movement of fast freight—the railroads greatest source of revenue. Mr. Emerson touched on this aspect of railway operations under cross-examination by Mr. Frawley at page 4932, Volume 1123 of the public hearings of the Board. In reply to Mr. Frawley on a question about overloading "The Canadian", Mr. Emerson replied in part: "... Of course, the operation in two trains instead of one would have disabilities in cost. *It would have disabilities in terms of interference with the movement of other traffic.*" (emphasis supplied) Here Mr. Emerson is saying in effect—clear our lines of low-profit passenger trains and we will use our plant and equipment to increase our earnings in the lucrative freight business. Good business? Of course. But if this is to be done at the expense of efficient operation on the Canadian National, through increased passenger traffic, then the people of Canada can expect to continue to pay for deficit passenger operation on the Canadian National. Additionally, it is not beyond the realm of possibility that the ability of Canadian National to compete in the high-revenue freight business will be seriously affected by additional passenger trains. Of course, it can be argued that Canadian National will not be obliged to accept the additional traffic that will become available if "The Dominion" is cancelled, but knowing of the pressure that is often applied to the Canadian National, we are doubtful if that Company will be able to resist the temptation to handle the traffic, even at the expense of considerable capital outlay for equipment and plant.

It is clear that there is a sharp difference of opinion between the Canadian Pacific and the Canadian National as to the possibility of reducing passenger losses. There is apparently even a wide difference of opinion as to the meaning of the proposed railway legislation and what should be done about uneconomic passenger service. The point is very well summed up in the November 1964 issue of "Canada Month". Mr. John Kettle, executive editor, in an article on proposed railway legislation, reports the position of the Canadian National as follows:

A CN railway official told me, 'I think CP's got this wrong. The new act says we should all stop making passenger service losses. We interpret this to mean that either a passenger service has to be made profitable or it should be dropped. They act as if they though it meant they should stop making passenger runs altogether.'

Would it not be better if the policy of Canadian Pacific were somewhat along the lines of the Canadian National's? Would it not be better for the Canadian Pacific to encourage passenger traffic by upgrading equipment, rearranging schedules and modernizing services? In this way at least passenger losses may be reduced. It seems very clear that the efforts of Canadian Pacific in the passenger business is in the opposite direction. While it has been denied that a deliberate effort is being made to overload and downgrade "The Canadian", nevertheless cancellation of "The Dominion" must adversely affect "The Canadian". During the years "The Canadian" has been in existence it has

become a world-famous train. This level of excellence has not been reached by operating a transcontinental local train. The standard has been maintained by strict adherence to a schedule designed to produce good-riding qualities by maintaining a constant speed across the country, elimination of unnecessary stops, and maintenance of "on time" performance. The men I represent tell me that it is not possible to maintain the high standard of performance previously called for on "The Canadian" and handle the extra work resulting from cancellation of "The Dominion". There is a general apprehension that "The Canadian" service will deteriorate to a point where the public will not ride this train either and then all will be lost. It is not too many years ago that "The Dominion" did not do local work and the removal of many local trains contributed to the deterioration of that service.

Although Canadian Pacific has denied its policy is to get out of rail passenger business, recent events such as the cancellation of "The Dominion" and withdrawal from passenger service between Ottawa-Toronto and Montreal-Toronto indicates otherwise. This trend is bound to continue as long as Canadian National is prepared to assume the burden of providing rail transportation and attracting people to it.

I refer to rail passenger business as "a burden" only because Canadian Pacific has decided it is so. In a few weeks your Committee will have the opportunity to hear from Canadian National and at that time you will be able to determine if that company considers passenger service "a burden". Burden or not, the fact remains the people of Canada and tourists are prepared to spend in the neighbourhood of one hundred million dollars per year for rail passenger service. We believe this amount will grow with the population and the economy. We further believe it is in the national interest for both railways to share equally in the burden or privilege, as the case may be, of providing rail passenger service. Whether or not the need for the service constitutes an "effective demand", as interpreted by Canadian Pacific, or an actual demand, as dictated by circumstances, is rather academic. There is a need to transport people across the nation and there is a need to attract tourist spending in our country. Rail passenger service is a means of meeting this need.

In meeting the need we do not believe it is in the national interest to make Canadian National the willing horse in the rail passenger business. We believe that towns, cities and communities served by Canadian Pacific should not suffer loss of service as compared to areas served by Canadian National. We say there should be a balancing of services: a balancing of the burden of passenger business, if there is a burden, and from this will flow the balancing of competitive opportunity in the movement of freight which is sometimes adversely affected by rail passenger traffic.

We do not hesitate to say there should be subsidization of rail passenger service by the Government of Canada. We say that subsidization should be on a continuing basis and not for a mere four-year period as envisaged by the McPherson Royal Commission. Our position in this respect is prompted by the realization that all other modes of competitive transportation enjoy massive subsidization by the people of Canada and this is what makes their competitive position possible. Air carriers making use of Canada's vast air terminal facilities fall far short of paying for such facilities. Highway bus fares certainly do not reflect the cost of building and maintaining the present network of Canadian

highways nor are user-charges on the St. Lawrence Seaway realistic when viewed in the context of the total cost of building and maintaining the Seaway. All of these facilities are, however, national assets and are provided by subsidization in one form or another. So should it be with rail passenger transportation.

Conclusions:

1. We suggest your Committee recommend to Parliament that the maintenance of a modern efficient rail passenger transportation system is in the national interest; that such a system should be provided on a relatively equal basis by Canadian National and Canadian Pacific with the assistance of federal subsidies to the extent determined by a new authority in conjunction with the Board of Transport Commissioners for Canada.

2. In order to provide and maintain a modern and efficient rail passenger service your Committee should recommend means by which rationalization of rail passenger service may be realized. To accomplish this our organization suggests extension of the proposed legislation set down in Bill C-120 of the 22nd Session of the Twenty-sixth Parliament. We propose the creation of a "rail services rationalization authority" to replace the Branch Line Rationalization Authority proposed in the legislation. This authority would have jurisdiction permitting it to rationalize any service of any railway supported by subsidies from the Government of Canada. The authority would act on recommendations of the Board of Transport Commissioners for Canada as to the subsidies to be paid for railway services which are declared in the national interest.

3. We support the national transportation policy set out in the Bill which reads as follows:

It is hereby declared that the national transportation policy of Canada is the attainment of an efficient, balanced and fully adequate transport system by permitting railways and other modes of transport to compete under conditions ensuring that, except in areas where a transport monopoly exists,

- (a) regulation of rail transport with due regard to the national interest will not be of such a nature as to restrict the ability of railways to compete freely with other modes of transport;
- (b) each mode of transport, so far as practicable, pays the real costs of the resources, facilities and services provided at public expense; and
- (c) each mode of transport, so far as practicable, receives compensation for the resources, facilities and services that it is required to provide by way of an imposed or statutory duty;

and the provisions of this Act are enacted in accordance with and for the attainment of so much of the national transportation policy as relates to railways under the jurisdiction of Parliament.

All of which is respectfully submitted.

HOUSE OF COMMONS

First Session—Twenty-seventh Parliament L
1966

APR 4 - 1966



STANDING COMMITTEE

ON

TRANSPORT AND COMMUNICATIONS

Chairman: Mr. JOSEPH MACALUSO

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 6

THURSDAY, MARCH 17, 1966

Respecting

The subject-matter of the adequacy of the present program and future plans for passenger service on the lines of the Canadian Pacific Railway.

WITNESSES:

Mr. M. W. Wright, Q.C., Counsel for Canadian Railway Labour Executives' Association (C.R.L.E.A.); Mr. A. R. Gibbons, Executive Secretary of C.R.L.E.A.; Mr. W. P. Kelly, Vice-President of the Brotherhood of Railroad Trainmen.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1966

STANDING COMMITTEE
ON
TRANSPORT AND COMMUNICATIONS

Chairman: Mr. Joseph Macaluso

Vice-Chairman: Mr. Gustave Blouin

and Messrs.

Allmand	Fawcett	Ormiston
Andras	Honey	Pascoe
Bell (<i>Saint John-</i> <i>Albert</i>)	Horner (<i>Acadia</i>)	Rapp
Byrne	Lessard	Rideout (<i>Mrs.</i>)
Cantelon	McIntosh	Rock
Carter	¹ Mitchell	Sherman
Deachman	Olson	Southam
	Orlikow	Tolmie—(25)

(Quorum 13)

Maxime Guitard,
Clerk of the Committee.

¹ Mr. Reid replaced Mr. Mitchell, on March 16, 1966.

ORDERS OF REFERENCE

WEDNESDAY, March 16, 1966.

Ordered,—That on Thursday, March 17, 1966 the Standing Committee on Transport and Communications be authorized to sit while the House is sitting.

WEDNESDAY, March 16, 1966.

Ordered,—That the name of Mr. Reid be substituted for that of Mr. Mitchell on the Standing Committee on Transport and Communications.

Attest.

LEON-J. RAYMOND,
The Clerk of the House.

REPORT TO THE HOUSE

WEDNESDAY, March 16, 1966.

The Standing Committee on Transport and Communications has the honour to present its

THIRD REPORT

Your Committee recommends that it be authorized to sit while the House is sitting, such authority to have effect for Thursday, March 17, 1966, only.

Respectfully submitted,

JOSEPH MACALUSO,

Chairman.

(Concurred in on Wednesday, March 16, 1966.)

MINUTES OF PROCEEDINGS

THURSDAY, March 17, 1966.

(10)

The Standing Committee on Transport and Communications met at 9:39 a.m. this day. The Vice-Chairman, Mr. Blouin, presided.

Members present: Mrs. Rideout and Messrs. Andras, Blouin, Byrne, Cantelon, Carter, Deachman, Fawcett, Horner (*Acadia*), McIntosh, Olson, Orlikow, Ormiston, Rapp, Reid, Rock, Sherman, Southam, Tolmie (19).

In attendance: From the Canadian Railway Labour Executives' Association: Messrs. M. W. Wright, Q.C., Counsel and A. R. Gibbons, Executive Secretary. *From the Brotherhood of Railroad Trainmen:* Mr. W. P. Kelly, Vice-President.

The Committee resumed its consideration of the subject-matter of the adequacy of the present program and future plans for passenger service on the lines of the Canadian Pacific Railway.

The Vice-Chairman introduced the witnesses and invited one of them, Mr. Wright, to present his brief before being questioned thereon.

Then, on motion of Mr. Cantelon, seconded by Mr. Reid,

*Resolved unanimously,—*That Public Law 89-220, 89th Congress, S.1588, September 30, 1965, appended to Mr. Wright's brief be printed as an appendix to this day's Minutes of Proceedings and Evidence (*See appendix D*).

At 11:00 o'clock, the Committee recessed until 11:25 a.m. at which time it began its examination of the witnesses.

The Vice-Chairman, Mr. Blouin, having to leave, he asked Mr. Deachman to take the Chair.

The examination of the witnesses continuing,

At 1:00 o'clock p.m., the Committee adjourned until 3:30 o'clock this afternoon.

AFTERNOON SITTING

Thursday, March 17, 1966.

(11)

The Standing Committee on Transport and Communications reconvened at 3:40 o'clock this afternoon. The Vice-Chairman, Mr. Blouin, presided.

Members present: Mrs. Rideout and Messrs. Allmand, Andras, Blouin, Cantelon, Carter, Deachman, Fawcett, McIntosh, Olson, Orlikow, Ormiston, Rapp, Rock, Sherman, Southam, Tolmie (17).

Also present: Messrs. Lewis, McWilliam, Dinsdale.

In attendance: Same as at this morning's sitting.

The Committee resumed its examination of the witnesses, always in relation to the subject-matter of the adequacy of the present program and future plans for passenger service on the lines of the Canadian Pacific Railway.

On motion of Mr. Orlikow, seconded by Mr. Fawcett,

Resolved unanimously,—That the Paper intituled

"Some suggestions for modification of the Interstate Commerce Commission's Rules governing the separation of railroad freight and passenger service costs", prepared by Stanley Berge, Professor of Transportation, Northwestern University School of Business, be printed as an appendix to this day's Minutes of Proceedings and Evidence (*See appendix E*).

Mr. Deachman was asked to take the Chair while the Vice-Chairman, Mr. Blouin, had to leave:

The examination of the witnesses still being pursued,

At 5:50 o'clock p.m., the Committee adjourned until 8:00 o'clock this evening.

• EVENING SITTING (12)

• The Standing Committee on Transport and Communications reassembled at 8:18 o'clock this evening. The Vice-Chairman, Mr. Blouin, presided.

• *Members present:* Mrs. Rideout and Messrs. Allmand, Andras, Blouin, Byrne, Cantelon, Carter, Deachman, Fawcett, Olson, Orlikow, Rapp, Sherman (13).

Also present: Mr. Lewis.

In attendance: Same as at this morning's and afternoon sittings.

The Committee continued its consideration of the adequacy of the present program and future plans for passenger service on the lines of the Canadian Pacific Railway.

The examination of the witnesses was resumed and completed.

The witnesses retired, after a vote of thanks and appreciation for their contribution to the Committee was moved by Mr. Deachman and seconded unanimously.

At 9:37 o'clock p.m., the Committee adjourned to the call of the Chair.

Maxime Guitard,
Clerk of the Committee.

EVIDENCE

THURSDAY March 17, 1966.

The VICE-CHAIRMAN: Good morning, ladies and gentlemen. I can see we now have a quorum, so the meeting can get under way.

I would first like to introduce to you the witnesses who are here this morning. On my right we have Mr. M. W. Wright, counsel for the Canadian Railway Labour Executives' Association. Next to him is Mr. W. P. Kelly, Vice-President of the Brotherhood of Railroad Trainmen; and next to Mr. Kelly is Mr. A. R. Gibbons, Executive Secretary of the C.R.L.E.A.

I declare the meeting now open.

Mr. Wright.

Mr. M. W. WRIGHT, Q.C. (*Counsel for Canadian Railway Labour Executives' Association*): Thank you, Mr. Chairman.

Mr. Chairman and members of the committee, the brief which I have prepared for submission to you was prepared to be presented in circumstances somewhat different from the ones in which it is being presented today. You will recall that on January 7, 1966, the Board of Transport Commissioners handed down its decision in the "Dominion" case. The Canadian Railway Labour Executives' Association immediately filed a notice of appeal with the Governor General in Council asking that the order be rescinded. It was our intention to present to the cabinet the brief which you have before you. I felt, however, when this committee was established, since the brief in the form in which it had already been prepared purports to deal with the role of the Canadian Pacific Railway, with the role of the Board of Transport Commissioners and with the role of government, that it would be quite appropriate to present it in its present form to the committee.

With your leave, I would suggest that I be permitted to read the brief and to make interpolations as I go along. I have other comments that I wish to make in addition to presenting the brief, which is not extremely lengthy.

This brief is submitted on behalf of the Canadian Railway Labour Executives' Association which will hereinafter be referred to as "C.R.L.E.A.". C.R.L.E.A. is comprised of the Canadian vice-presidents, or Canadian officers of equivalent rank, of its affiliated unions. As presently constituted, the following organizations are affiliated with C.R.L.E.A.:—

Brotherhood of Maintenance of Way Employees
Brotherhood of Railway and Steamship Clerks, Freight Handlers, Express and Station Employees
Brotherhood of Railway Carmen of America
Brotherhood of Railroad Trainmen
Transportation—Communication Employees Union
Brotherhood of Locomotive Firemen and Enginemen
International Association of Machinists

Commercial Telegraphers Union
 International Brotherhood of Firemen and Oilers
 Brotherhood of Railroad Signalmen
 International Brotherhood of Boilermakers, Iron Ship Builders, Blacksmiths, Forgers and Helpers
 Brotherhood of Sleeping Car Porters
 Sheet Metal Workers' International Association
 United Association of Journeymen and Apprentices of the Plumbing and Pipe-Fitting Industry.

C.R.L.E.A. was not established for the purpose of engaging in collective bargaining. It is a body which seeks to co-ordinate the activities of its affiliated unions in respect of matters of common interest to these unions. It is also a body which seeks to deal with matters of policy, particularly in the legislative field, in so far as these matters of policy affect the interests of railway labour. The National Legislative Committee of the International Railway Brotherhoods has now become a standing committee of C.R.L.E.A.

On the 17th day of August, 1965, the Canadian Pacific Railway Company announced that one of its two transcontinental passenger trains, the "Dominion", would be discontinued on September 7th, 1965. The Board of Transport Commissioners made no move to stay the C.P.R.'s hand and it is probably quite safe to assume that if it had not been for a public outcry, particularly in the west, the "Dominion" might have gone to its demise without any enquiries having been made by the Board into this matter. Numerous protests were made, however, to Ottawa and on the 1st day of September, 1965, the Board of Transport Commissioners felt constrained to make an order which:—

1. provided for public hearings to enquire into this matter; and
2. provided also as follows:—

"Canadian Pacific Railway Company shall continue to operate the present passenger service provided by 'The Dominion' until the Board orders otherwise".

I wish to emphasize the words "present passenger service" and "until the Board orders otherwise". At the very inception of the Board's belated intervention into this matter, a strange situation developed which warrants careful investigation as to the relationship which exists between the Board of Transport Commissioners and C.P.R. As I have stated, the Board of Transport Commissioners ordered the C.P.R. to "...continue to operate the present passenger service... until the Board orders otherwise". Surely this meant only one thing, namely, that the passenger service which was provided by C.P.R. on September 1st was to be continued by C.P.R. "until the Board orders otherwise". Nevertheless, on September 7th, 1965 (even before the Board commenced its public hearings), C.P.R. removed all sleeping and eating facilities from the "Dominion". On September 1st, 1965—the date of the Board's Order—the "Dominion" was a transcontinental passenger train equipped with all of the amenities and facilities which one would expect to find on such a train, such as sleeping accommodation and feeding facilities. On September 7th, 1965, C.P.R. stripped the "Dominion" of all sleeping cars and feeding units and implemented a "Toonerville trolley" which consisted only of a diesel unit, a baggage car and two coach cars. (The baggage car was used only because Board of Transport

Commissioners' regulations require a buffer car to be used between the diesel unit and a passenger car.) When I appeared before the Board of Transport Commissioners during its hearings at Ottawa, I raised this issue and stated that this was a flagrant and deliberate violation by the C.P.R. of the Board's order. I also stated that the Board's order was binding on all parties, as well as on the Board itself, and that the Board should have enforced its own order. The Board had previously been confronted with a similar objection from other counsel who had appeared in the hearings before I did, but the Board brushed the matter aside simply by stating that since similar "seasonal changes" had been made by C.P.R. in the train consist in the past, its September 1st order did not preclude the C.P.R. from making such "seasonal changes" in 1965 (page 8 of the judgment). I challenged the legal validity of this point of view and I asked the Board when rendering its judgment to state its reasons for arriving at such a conclusion so that I might appeal this aspect of the matter on a point of law to the Supreme Court of Canada. The Board, however, refrained from doing so and stated, at pages 8-9, as follows:—

Having stated the Board's position at Winnipeg, I do not think that it is necessary to deal with the matter further in this judgment, because the Board's decision not to interfere with the seasonal change in the train on September 7th was administrative in character and, moreover, the real issue for determination now is the future of 'The Dominion', not any question as to the meaning of the order nor whether the seasonal change was contrary to the order.

Since the Board has decided not to state its reasons, I have no reluctance in now saying not only that I consider that the Board of Transport Commissioners was clearly wrong in law but that in adopting this passive role it made it possible for C.P.R. to adopt a false posture during the course of the hearings. Throughout the hearings the "Dominion", now reduced since the date of the Board's order to a caricature of a passenger train, continued to operate, and the general public could not help but think that the whole argument was simply over whether this silly little train should be continued or not when, in point of fact, the issue was whether C.P.R. should be permitted to abandon the "Dominion" as a legitimate transcontinental passenger train having sleeping cars and dining facilities as was the case on September 1st, the date of the Board's order.

Thus, because of the strange stand taken by the Board, the Board's hearings, from their commencement, indeed prior to their commencement, were conducted against an unrealistic back-ground. The final step taken by the Board when it issued its judgment also produced a curious result.

In its judgment dated January 7th, 1966, the Board of Transport Commissioners permitted C.P.R. to discontinue operation of the "Dominion". I am instructed that certain portions of the "Dominion" were discontinued within an hour or two of the promulgation of the Board's decision, even though the Board's actual "Reasons for Judgment" were not received by us until January 12th. You are entitled to draw whatever inference you wish from the above as to the independent and impartial status of the Board of Transport Commissioners.

C.R.L.E.A. objects to the decision of the Board of Transport Commissioners on several grounds.

The Board's decision was made manifestly without any knowledge on its part of matters which are basic to an intelligent appraisal of the problems before them, without which their decision can only be less than useless. One would have thought that before the Board of Transport Commissioners allowed Canadian Pacific to eliminate one-half of their transcontinental passenger train services they would have embarked upon a careful study of Canada's potential future requirements in the field of passenger traffic. Apparently the Board did not consider it its duty to enquire into the nature of Canada's train passenger requirements in the future. It is also fair to say that the Board of Transport Commissioners did not concern itself with what Canada's national rail transportation policy would, or should, be. Indeed, during the course of the hearings, the Board indicated quite clearly that it was adopting a restrictive and narrow approach. When, in the course of the hearings, the Board was criticized by one of the witnesses for adopting an unnecessarily restrictive approach and for not attempting to give leadership so that the future of the "Dominion" would bear some relationship to an overall rail transportation policy, the Chief Commissioner said as follows:—

The problems the Board has to deal with are usually not ones where the Board's judgment can meet with popular acclaim. The nature of our functions are not such as to achieve that result. I would also add that you, as a Member of Parliament, know it is Parliament that makes the law. It is Parliament that sets forth the Board's powers, the Board's duties, the Board's responsibilities, and so far as passenger services are concerned, for many, many years the Board has been hearing passenger service cases and has declared the principles upon which it decides those cases.

Parliament so far has not seen fit to put something in the Railway Act that would enlarge the Board's powers or that would impose additional duties or responsibilities upon the Board. As I said, Parliament makes the law, and we administer the Act as we think our duties and the circumstances and the law call for, but I do not wish you to go away feeling we resent in any way the criticism in your brief.

(Transcript of Proceedings, Board
of Transport Commissioners for
Canada, page 6990)

The witness who was appearing at the time before the Board was a former member of parliament; he was Mr. Douglas Fisher.

The *ratio decidendi* of the Board's judgment indicates clearly that it is based upon an interpretation and application of Section 315 of the Railway Act. Obviously the Board considers that its powers are circumscribed by the provisions of Section 315. It must be said that the Board of Transport Commissioners is a creature of the Federal Parliament and can only discharge the functions assigned to it by Parliament. One would have thought, however, that before any decision was made to abandon approximately 25 per cent of Canada's transcontinental passenger train service, the Board would have been able to take into account certain considerations which are basic to a meaningful understanding of the vital issues involved. It is almost incomprehensible to think that an intelligent decision could be made without first knowing what the country's overall transportation policy is in relation to railway passenger service. Equally, it is impossible to understand how a fullsome decision could be

made without entering into any kind of research or study as to what the future potential is likely to be in long and short-haul passenger traffic. You will recall that the Canadian Pacific Railway referred repeatedly to "effective demand". But if you look at the judgment of the Board of Transport Commissioners you will see there is virtually no attempt to look into this very question. If, for instance, it were known—as is indeed the case—that certain radical technological changes are about to be made in the field of rail transportation which would make rail transportation infinitely more appealing to passengers travelling between the East and the West, would this not have an effect upon the Board's decision? It will be developed at a later stage of this submission that plans are presently in progress in the United States and, indeed, in Canada (by Canadian National) to revitalize train service at speeds and in degrees of comfort which would make them particularly inviting to persons travelling between various parts of Canada. A study along these lines was not even considered by the Board. It is almost beyond comprehension to imagine that a decision to discontinue the "Dominion" could be made without giving any regard whatever to the social and economic impact upon the communities which are serviced by the "Dominion". Yet, this is precisely what the Board did. The Assistant Chief Commissioner stated, at page 90 of the judgment, as follows:—

In formulating my opinion I have not weighed the economic or social impact upon communities. In my opinion, these are not matters to be considered and weighed by the Board in the discharge of its duties under the Railway Act.

In that quotation I emphasize that "these are not matters to be considered and weighed by the Board".

Here then is the anomaly of the situation. The Board of Transport Commissioners has allowed Canadian Pacific to discontinue the "Dominion" and this decision was taken without any study or consideration having been made as to what Canada's national transportation policy will be, without any investigation of passenger traffic potential, without any consideration of the effects of improved technology, and without taking into account either the economic or the social impact upon communities affected by this decision. It is particularly difficult to understand why the Board extended invitations to various communities across Canada to make its views known to them when the Board did not consider that the economic or social impact upon such communities were matters which were germane to their judgment. It is now obvious that while the Board invited representations from municipalities and, indeed, thanked them profusely for their interest in appearing before them, the Board looked at these municipalities only with unseeing eyes.

The Board's judgment speaks for itself and indicates the factors which were taken into account. It is clear that the principal factor which weighed most heavily upon the Board was that the operation of the "Dominion" was unprofitable from the standpoint of Canadian Pacific Railway Company. For the most part, the Board's judgment is nothing more than a verbatim recital of briefs and material submitted to it by C.P.R. which had as their sole objective to prove that the "Dominion" is economically unprofitable to the C.P.R.

What is surely required in this matter is not a decision by a regulatory body with inadequate authority to weigh all relevant factors. Surely this matter calls for a decision by Parliament itself. This is what we urged upon the Board

of Transport Commissioners. I urged the Board, if it did not have the power to deal with this matter meaningfully—and it was apparent that it did not—to defer its decision on this important issue on the ground that there is involved in this matter a principle which should be decided by Parliament alone; and it is to this matter, which lies at the heart of this entire situation, to which I should like to address myself.

The proposed withdrawal by Canadian Pacific Railway Company of facilities from transcontinental passenger service raises an important question of principle which underlies the entire relationship between the C.P.R. and the people of Canada. The necessity for providing all possible means of communication and transportation in a growing country is self-evident. It must be accepted that the existence of facilities allowing for mobility of population is vital in the public interest and it surely does not require a carefully documented submission to establish its importance. We take the position that the C.P.R. is bound by contract efficiently to maintain, work and run the Canadian Pacific Railway. We have reference, of course, to the historical background of the nature of the agreement reached between the Dominion of Canada and the Canadian Pacific Railway Company.

On October 21, 1880, a contract was entered into between the Dominion of Canada and the Canadian Pacific Railway Company. As part of the contract, the C.P.R. agreed to complete the construction of the railway system to the West Coast. The C.P.R. also agreed, by paragraph 7 of this contract, as follows:—

and the Company shall thereafter and forever efficiently maintain work and run the Canadian Pacific Railway.

The people of Canada paid valuable consideration to the C.P.R. for the covenant given by the C.P.R. Paragraph 9 of the contract reads as follows:—

9. In consideration of the premises, the Government agree to grant to the Company a subsidy in money of \$25,000,000, and in land of 25,000,000 acres, for which subsidies the construction of the Canadian Pacific Railway shall be completed and the same shall be equipped, maintained and operated—the said subsidies respectively to be paid and granted as the work of construction shall proceed, in manner and upon the conditions following—

Mr. Chairman, members of the committee, I would add that these \$25 million were 1880 dollars. The contract then proceeds to set out the details. Thus, a subsidy of \$25 million was paid by Canada to the C.P.R. and, in addition thereto, 25 million acres of land were conveyed by Canada to the C.P.R. Paragraph 11 of the contract specifies that the 25 million acres of land shall consist of "alternate sections of 640 acres extending back 24 miles deep on each side of the railway, the Company receiving sections bearing uneven numbers." It should be noted that the land conveyed to the Company carried not only the surface rights but also all mines and mineral rights. This, of course, reserved to the Canadian Pacific Railway Company the oil and gas rights in the 25 million acres. The contract was approved by an Act of Parliament being 44 Victoria, Chapter 1, which received Royal Assent on the 15th day of February, 1881.

When Mr. Emerson was reminded of the terms of this contract when the Board held its hearings in Winnipeg, he equated "efficiency" with "profitability" and, of course, he was talking about the element of profitability from the standpoint of the C.P.R.

Mr. Chairman and members of the committee, may I just say that, from a purely personal standpoint, I am embarrassed, as indeed is my client, by some of the criticism which is being directed in this brief against the late Mr. Emerson. I knew Mr. Emerson personally for many years. We were both native Winnipeggers and both attended the same university. Personally, I had the highest regard for Mr. Emerson. But in all truth Mr. Emerson held his opinions strongly, and he expressed his opinions forcibly, which is as it should be. But by the very nature of that fact alone, he invited equally strong and forcible criticism. I cannot help but feel that if Mr. Emerson were here today he would not resent the personal criticism of him; this was not in the nature of Mr. Emerson. But I deeply regret on a personal basis that on this very day, when Mr. Emerson is being buried, these criticisms are made of him personally. I take it this will be understood. This brief was filed before Mr. Emerson's death.

The following exchange between Mr. Mauro, Counsel for the Province of Manitoba and Mr. Emerson is significant:—

Q. —but the one I want to focus on is the 1880 agreement and this word 'efficient'. Have you, as the President of the Canadian Pacific, interpreted the word 'efficiency' to be equated with profitability?—A. I think that is a very simple test and a very straightforward test for efficiency. Certainly, except in unusual circumstances, whatever they may be, because obviously if a particular service is being produced and sold or if a particular good is being produced and sold and the revenues or the earnings arrived from the sale of the produce or the service are less than the expenditures that are made in producing it, it is inefficient from the standpoint of the economy. More of the resources of the country, in terms of labour and material, are being dissipated than the value of the service or good produced, so, per se, it must be inefficient.

(Transcript of Proceedings, Board of
Transport Commissioners for Canada,
pages 5093-5094)

One might almost think that the 1880 contract provided that C.P.R. "shall thereafter and forever profitably maintain, work and run the Canadian Pacific Railway". The pledge given by C.P.R. was that they would "efficiently maintain, work and run the Canadian Pacific Railway".

At page 9 of Exhibit 2 which was the formal statement submitted by Mr. Emerson, he stated as follows:—

Canadian Pacific has accepted the challenge of efficient operation imposed under its charter and it is basic to the findings and recommendations of the MacPherson Royal Commission on Transportation.

It is relevant to ask what is the concept, however, of Mr. Emerson or of Canadian Pacific as regards C.P.R.'s obligations under the contract which it entered into with Canada. The contract says that the C.P.R. shall "... forever efficiently maintain, work and run the Canadian Pacific Railway". To Mr. Emerson, I might say to the C.P.R., "forever" is a time of limited duration and ends when any aspect of the railway's operations ceases to be profitable to the C.P.R. Once any segment becomes unprofitable (to the C.P.R.), apparently it is no longer incumbent upon Canadian Pacific to operate efficiently with respect to

that particular aspect of its undertaking. First the C.P.R. destroys the efficiency of the "Dominion" and then pleads that the resulting unprofitability no longer warrants continuation of operation by the Company. Mr. Emerson was a professional engineer by training. Mr. Charles Wilson who was also an engineer (and often referred to as "Engine Charlie") said, when he was President of General Motors Corporation, "What is good for General Motors is good for the country". Now apparently Mr. Emerson paraphrases Mr. Wilson's philosophy and, in effect, says:-- "What is good for Canadian Pacific is good for the country"!

The people of Canada have every right to expect a more responsive and responsible reaction from the Canadian Pacific Railway Company. The aid granted by Canada and other public authorities to the C.P.R. did not stop at the original subsidy of \$25 million. As at December 31st, 1964, the cash subsidies and expenditures on construction have mounted to \$106,280,334.00 made up as follows:—

Federal	\$ 88,437,180
Provincial	\$ 12,582,090
Municipal	\$ 5,261,064

\$106,280,334

(Dominion Bureau of Statistics, Public Finance and Transportation Division, Publication entitled "Canadian Pacific Railway Company 1923-64", Table Number 3)

Nor have the land grants been limited only to 25 million acres. As at December 31st, 1964, the land grants made to the C.P.R. have totalled 43,962,546 acres made up as follows:—

Federal	32,848,477 acres
Provincial	11,114,069 acres

43,962,546 acres

(Dominion Bureau of Statistics, Public Finance and Transportation Division, Publication entitled "Canadian Pacific Railway Company 1923-64", Table Number 3)

This contract has been referred to many times over the years. Indeed, there is danger that we may begin to regard such continued references as being somewhat maudlin. I consider that we are not indulging in any irresponsible sentimentalities. Many people in this country, including Canadian Railway Labour Executives' Association, consider that this was a solemn contract under which Canada gave to C.P.R. natural resources having untold wealth.

I suggest to the members of the committee that that wealth is not measurable in the millions of dollars or hundreds of millions of dollars; it is surely measurable in the billions of dollars.

The wealth represented by the land which was given to Canadian Pacific and the mineral rights contained therein today form the basis of Canadian Pacific Investments Limited which has become one of the wealthiest investment companies in Canada, if not on the North American Continent and we need not

experience any sense of shame when we demand an accounting from Canadian Pacific Railway Company. Consideration flowed both ways in the 1880 contract. Canada gave to the C.P.R. money and land grants of tremendous wealth. In return, Canada obtained from Canadian Pacific what might be described as a promissory note and it is now up to you to determine the value, if any, of the note which we now hold. Canada has every right to demand from Canadian Pacific that it shall "... forever efficiently maintain, work and run the Canadian Pacific Railway". The extent to which Canadian Pacific respects this undertaking can best be demonstrated from the record of the Board's hearings. One can understand C.P.R.'s pre-occupation with the necessity of showing a profit, but one is entitled to ask whether this predilection with profit has not come to represent C.P.R.'s total concept of its responsibilities under the 1880 contract. Let the record speak for itself:—

At page 6467, I was cross-examining Mr. J. R. Fraine, Vice-President of Railway Operations for Canadian Pacific:—

Q. They are concerned about it?—A. About making a profit?

Q. Yes?—A. I would think so.

Q. If a part of your operation simply does not show a profit, do you consider you are justified in eliminating it?—A. That is a general business practice. When segments of a business become unprofitable, it indicates there is no public demand and the logical thing to do is to try to cut out the dead wood.

(Transcript of Proceedings, Board
of Transport Commissioners for
Canada, page 6467)

Again, Mr. Fraine is testifying:—

Q. How anxious are you to continue in the passenger business?—

A. We will continue in any phase of the business that is profitable.

Q. But the moment it becomes unprofitable, do you consider you have no further responsibility? I honestly believe that calls for a yes or no answer?—A. Well, I would not say it necessarily calls for yes or no.

Q. Well, answer, any way you wish?—A. It seems to be that in the circumstances under which we operate, where there is other transport available, there should be no necessity to operate an unprofitable passenger line.

(Transcript of Proceedings, Board
of Transport Commissioners for
Canada, page 6470)

Q. May I properly or more accurately sum up quite shortly the philosophy of the Canadian Pacific by saying that if it is uneconomic you ought to get out?—A. Yes, I agree with that.

Q. And that sums up Canadian Pacific policy insofar as passenger service is concerned?—A. Yes, I think that is right in the evidence in chief; maybe not just expressed exactly like that.

Q. I would be reflecting Canadian Pacific policy accurately if I were to put it that way?—A. I think so.

(Transcript of Proceedings, Board
of Transport Commissioners for
Canada, page 6477)

We submit that the Board of Transport Commissioners should have taken into account the fact that Canadian Pacific Railway has not shown good faith in the manner in which it has operated "The Dominion" and in its approach generally to the operation and administration of its railway passenger services. It is basic that any litigant who comes before any court of law must come before the court with "clean hands". We contend that the Canadian Pacific set out, by its own hand, to destroy the "Dominion" as an efficient transcontinental passenger service. Their basic plea before the Board was that the "Dominion" did not have sufficient patronage from the customers and that this resulted in the "Dominion" being an unprofitable exercise. Presidents of Canadian Pacific carry with them the image of "captains of industry" and of men of vision and aggressive promotion. The following excerpts from the Evidence will demonstrate the extent to which the current men of vision of C.P.R. deliberately downgraded "The Dominion" to the point where a passenger would have to be more than desperate to avail himself of the creature comforts supplied by the "Dominion". When I cross-examined Mr. Allan Brown of the C.P.R.'s Department of Research, I took Mr. Brown on an imaginary trip on the "Dominion" and the following will demonstrate the "pleasures" of a trip on the "Dominion":—

• (10:15 a.m.)

May I interject, Mr. Chairman and members, and say that when I was here the other night Mr. Ian Sinclair was testifying. A question was put to him by Mr. Carter, and I would like to get this into its proper context.

Mr. CARTER: Mr. Wright, could I have the page number?

Mr. WRIGHT: Yes, it is page 115, about five lines from the top. I quote:

Mr. CARTER: I was going to put the same question but in a different way. We have been talking about the effective demand—either you have it or you do not. What I would like to have, if it is possible to give, perhaps it is impossible to give it in mathematical terms; how far below the effective demand is the "Canadian" and how far below the effective demand is the "Dominion". Is it possible to express that in percentage terms?

Mr. SINCLAIR: There is no question about this. As I say, the "Dominion" has not had an effective demand for the transcontinental consist service since 1960—

Apparently their trouble started in 1960. The evidence which I am about to read to you will indicate the type of service which was given on the Dominion by Canadian Pacific. The reason I am putting it to you this way is that I am asking you to judge whether the effective demand left the Canadian Pacific or whether the Canadian Pacific drove the effective demand away. This is the evidence from a member of the research department.

Q. I am now looking at your Exhibit 53; take a person who is going to travel say from Montreal to—well, say he only goes as far as Winnipeg; he would have a sleeper, wouldn't he from Montreal to Ottawa and then to Sudbury?—A. He would have a sleeper from Montreal to Sudbury, yes.

Q. What time would he get into Sudbury?—A. In the morning, sir.

Q. At about what time in the morning?—A. Just a moment, and I can give you the time; at 6:55 in the morning.

Q. This sleeper goes off at Sudbury, doesn't it?—A. That is correct.

Q. So, the friendly porter would have to wake up this adventurous passenger, who wants to see the beauties of the country and say, 'get out of bed because we are taking the sleeper off the train'. He would have to climb out of bed and get into the coach, is that right?—A. Yes, sir.

Q. Then, he sits up in the coach until he gets to Fort William, is that right?—A. That is correct.

Q. How long does it take him—well, he would leave Sudbury at what time?—A. At eight in the morning, sir.

Q. He would arrive at Fort William at what time?—A. 11:55 p.m.

Q. And during all that time he would not be able to have a hot meal on board that train, would he?—A. No.

Q. What would he do, suppose he was moved to take nourishment, how would he go about it because he would be on the train or car all day long, he would be on it for about 18 hours until he got to Fort William, and how would he take nourishment? Would he just get a dry piece of cheese between two stale pieces of bread? Is there a newsy on the train?—A. I believe there is in certain areas but I cannot speak for the train across the country.

Q. Well, assume that he survives—

Mr. SPENCE: Wait, you have not got the answer to the last question yet.

Mr. WRIGHT: Q. All right, I thought the witness could not give me an answer. Can you?—A. Not in so far as a news agent goes. There are stops along the way where he possibly could get some food he required.

He did not even know if they had news agents on those trains all the way from Sudbury to Fort William.

Q. How long are most of those stops?—A. Fifteen minutes.

Q. So he could get off at 15 minute stops, grab a bite to eat and clamber on board again, and press on into the far west. He may do this several times.

The Chief COMMISSIONER: I do not think you need to take too much time trying to establish that the Dominion as presently constituted, is unattractive for long distance travel.

Mr. WRIGHT: Let us assume he survives the trip as far as Fort William, what would he do at Fort William. Does he have a sleeping car from Fort William to Winnipeg?—A. He could have, yes; there is a sleeping car there.

Q. So, he gets out of the coach and into a sleeper. He goes on his way towards Winnipeg, and we know there are no sleeping or dining car facilities all the way from there to Vancouver?—A. That is correct.

Q. Now, surely, it did not take a tremendous job of research to convince you that the traffic the Dominion would attract would be negligible?—A. As I say, sir, there is a choice and has been for the past few years. People choose which mode of travel they desire to use.

(Transcript of Proceedings, Board
of Transport Commissioners for
Canada, page 6626)

I hope that I shall be forgiven for observing that there is a Board of Transport Commissioners regulation which makes it mandatory for C.P.R. to give feed and water at certain intervals to cattle while in transit. Similar solicitude for the human species would have been virtuous.

In other words, they had a 10 or 15 minute stop during which time they would have to jump off the train, endeavour to get from the train to the restaurant in order to obtain some food and, at the same time, ensure that they reboard the train before it leaves.

It is quite apparent that Canadian Pacific's operational decisions are made with careful thought as to the consequences. It was not enough, in pursuance of their objective, for C.P.R. merely to destroy "The Dominion" as a transcontinental passenger train; it apparently also became imperative for the C.P.R. to increase its fares for such "service". Thus, the judgment of the Board of Transport Commissioners indicates that the fares charged by the C.P.R. on "The Dominion" were higher than the fares charged by the Canadian National on its transcontinental passenger trains where all of the amenities of transcontinental service were provided! Our submission is that the C.P.R. made assurance doubly sure that they would drive away passengers from "The Dominion" by increasing their fares for this travesty. Having thus succeeded in their original plan, they then told the Board of Transport Commissioners that "The Dominion" could not be operated profitably. What naivete or indifference the senior officers of Canadian Pacific must impute to the Board of Transport Commissioners and to Canada's legislators!

The Board was entitled to take into account the actions of C.P.R. in getting out of passenger service in the area of the highest passenger traffic density in Canada, namely between Montreal and Toronto and between Ottawa and Toronto since we now know that the discussions with the board were in progress before the board's judgment on "The Dominion" was made. The employees of the C.P.R. who have now become unemployed by reason of the C.P.R.'s abdication of the Montreal-Toronto and the Ottawa-Toronto services received messages from Mr. Emerson, dated January 21st, 1966, which read in part as follows:—

It is regretted that, with the completion of their respective runs on Sunday, January 23, passenger train operations by the Company between Toronto and Ottawa and between Toronto and Montreal will cease. This is not a situation that has been sought by this company but unfortunately is one which we must accept in the light of conclusions reached by the Board of Transport Commissioners as to the train service to be given between these cities.

C.P.R. is now rewriting history even while the events occur! They have told their employees, now unemployed, that the abandonment of the Montreal-Toronto and Ottawa-Toronto runs were "not . . . sought by this company" but were imposed upon them by the Board of Transport Commissioners! We state categorically that we do not believe these statements. We say they are untrue. We say further that this is additional evidence of the fact that Canadian Pacific does not stand before you with "clean hands". We challenge their bona fides in the field of railway passenger service in Canada. We say that Canadian Pacific is determined to get out of passenger service and to impose the entire burden upon the public-owned Canadian National. We say that C.P.R.'s complete pre-occupation with the acquisition of the Canadian dollar is their sole objective and

that their covenant to the Canadian people to "forever efficiently maintain, work and run the Canadian Pacific Railway" is one which not only has been broken by them but one whose observance is honoured continuously only in the breach. Their fixed policy is to proceed piece-meal in the abandonment of passenger service and to retain and compete aggressively, as indeed they do, in the profitable freight business.

We are entitled to ask whether or not the C.P.R. has met "... the challenge of efficient operation imposed under its charter ..." to use Mr. Emerson's own words in his submission to the Board of Transport Commissioners. The 1964 annual report of Canadian Pacific Railway Company, at page 9 thereof, graphically depicts the reduction in passenger revenue during the year 1964. In the light of the negative philosophy adopted by C.P.R. towards passenger service, this adverse record of performance is not difficult to understand. The annual report, in dealing with "passenger traffic" concludes as follows:

In view of the increased use of the private automobile over improved highways in short distance travel and the inherent advantages of the jet airliner over long distance, no prospect is envisaged by your company of attracting rail passengers in sufficient numbers, on many segments of our lines, at prices they are willing to pay, to offset the expenses of providing this service.

Compare this attitude with that of Canadian National for the same year 1964. Their annual report states:

The number of passengers carried by C.N. increased in 1964 by 14.0 per cent over 1963 and passenger services revenues were 16.7 per cent higher. The red, white and blue fare plan, to which is credited much of the increase in passenger sales, was extended throughout the system during 1964 and this and other passenger sales projects were intensively advertised and promoted in various ways.

At page 15 of the C.N. annual report for 1964, under the heading of "Outlook", Canadian National says:

Current C.N. passenger policy calls for a strong effort to increase passenger sales and provide good, competitively priced passenger service in areas where actual or potential returns justify the effort. For C.N., intensive market research and study of relevant social, economic and technological trends and developments point strongly towards the conclusion that, in most of the areas now being served, a properly designed and operated passenger service can be made to justify itself on economic grounds. In this respect the experience of 1964 has been quite encouraging.

Mr. Emerson and his predecessors have often been heard to sing the praises of competition as a stimulus for improved efficiency. It is relevant to enquire what efforts have been made by Canadian Pacific to compete, in a meaningful way, with Canadian National in improving its passenger revenue picture? Far from "accepting the challenge of efficient operation", the evidence in these proceedings betrays an attitude on the part of the C.P.R. to deliberately get out of passenger service—except where it serves C.P.R.'s purpose to continue. We know that C.P.R. has been sitting on the sidelines adopting a posture of omnipotent, if cynical, wisdom with respect to Canadian National's campaign to

elevate the standard of efficiency in passenger service. C.P.R. in general, and Mr. Emerson in particular, adopt a posture of knowing scepticism. Thus in a recent article by Phillip Smith in Weekend Magazine, Mr. Smith reports that there seems to be no chance that C.P.R. will attempt to match Canadian National's aggressive sales campaign. The attitude of the men of vision is summed up by Mr. Emerson in this article where he is quoted as saying:

We have to back our judgment with our own money.

The inference is clear that Canadian National may be recklessly spending the public money whereas Canadian Pacific might be jeopardizing some of its "own money" if it miscalculates in a campaign to improve their standards of passenger service. Surely it is time for someone in the Government, or possibly in Parliament, to remind Mr. Emerson—I am sorry and embarrassed by the references, but I think I have explained that already—that when he talks about spending C.P.R.'s "own money" he is talking, to a very large extent, about "our" money, that is to say, money and wealth given to C.P.R. by Canada. Now that C.P.R. has "our" (Canada's) money securely in its treasury, it feels that it must not use this money except for "profitable" purposes and sings a hypocritical theme equating profitability with efficiency. It is clear that C.P.R. does not intend to develop and promote passenger service in Canada. At the same time, their officers go about the country expressing grave doubts about Canadian National's plans. At least one must give credit to Canadian National for attempting to tackle the problem in a manner which will advance the public interest. The men of action of the C.P.R. have now become men of apathy and slothfulness.

In practical terms, Mr. Emerson's general attitude respecting passenger service is summed up in an answer given by Mr. Emerson to a question asked of him by the chief commissioner at Winnipeg:

The Chief Commissioner: Q. Do you foresee a Canada some years hence, Mr. Emerson, without any C.P.R. passenger train service?—A. It is quite within the realms of possibility, sir, yes. I think unless something happens to arrest the present trend, and I don't know what that would be at the moment, I think it must inevitably point in that direction.

(Transcript of proceedings,
Board of Transport Commissioners for
Canada, page 4915)

The manner in which this philosophy is projected into practical day-to-day operations was clearly demonstrated in the evidence given by Mr. Ian Warren, General Passenger Traffic Manager of Canadian Pacific. Mr. Warren is the senior operational officer of Canadian Pacific who is in charge of C.P.R.'s passenger service. It is interesting to examine the degree of enthusiasm which Mr. Warren brings to his position dictated undoubtedly by the encompassing policy which has been handed down to him. The following appears in a portion of my cross-examination of Mr. Warren:

Q. So that the philosophy which you as top passenger man in Canadian Pacific bring to your position is that you are operating a service which is basically non-essential and which progressively becomes more and more non-essential?—A. To the extent that it can be made profitable.

Q. Profitability at all times being the basic criterion?—A. It must be, sir.

Q. I will not go into the question with you as to Canadian Pacific's responsibility under that old 1880 agreement. I will deal with that later?—A. Yes sir.

Q. But this is the framework, the philosophical framework within which you as General Traffic Passenger Manager of the C.P.R. operate?—A. Yes sir.

Q. Well, we have got that pretty clear?—A. That is right.

Q. It is pretty reasonable to assume you are not going to spend a plugged penny in providing efficient railway passenger service to Canada unless you can see a dollar at the end of the rainbow?—A. We have got efficient transport service.

Q. You try and tell that to any of the people on the Dominion, or for that matter to those on your overcrowded Canadian?—A. Certainly you could not say that about the Canadian, but the Dominion, that should not be operating now. You take the peanuts in the way of passengers on it now—

Q. But my friend, Mr. Frawley, put that question yesterday to one of the other witnesses. You are losing money on the Canadian. Why, in the name of sanity, don't you get out of that too, or is that 'the next step' Mr. Emerson was talking about?—A. I don't think he mentioned a next step.

Q. He mentioned 'one step at a time'?—A. That is right.

Q. I am asking you if that is the next step?—A. I have heard nothing whatever and I am sure nobody is discussing discontinuing 'the Canadian' at this time.

Q. Well, where is the next step? What part of the country will the next step be in?—A. We have a few branch lines under consideration now.

Q. And I suppose they are going to be discontinued on the grounds that they are unprofitable?—A. That is right."

(Transcript of proceedings, Board
of Transport Commissioners for
Canada, pages 6733-6735)

At this point, the chief commissioner intervened and put the following question to Mr. Warren which, in my view, is probably the basic consideration in this entire matter:—

The Chief COMMISSIONER: Mr. Warren, you have just been dealing with the philosophy, or your philosophy. Do you see any reason why that philosophy of your's or of Canadian Pacific should not apply to Canadian National?—A. No sir.

It can readily be seen that C.P.R. can barely stifle a corporate yawn in its approach to passenger service in Canada. It is against this entrenched policy of negativism that C.P.R. must be judged. It is perfectly clear that C.P.R. is dedicated to the policy of throwing the entire burden of passenger service on the publicly-owned Canadian National Railway.

We submit that you must seek out the motives of the C.P.R. in the field of railway passenger service, having regard for what Canadian Pacific has already done with "The Dominion" and C.P.R.'s disappearance from passenger runs

between Montreal-Toronto and Ottawa-Toronto. C.P.R. is obsessed only with the need to make money. When Mr. Emerson was being cross-examined by Mr. W. Fraser, Q.C., counsel for the City of Winnipeg, the following appears:—

Q. It gets back to your general position that you would like to get out of passenger business ultimately?—A. It gets back to a general position this: That in accordance with the undertaking of the company under its contract with the government, in keeping with the findings of the MacPherson Royal Commission, in keeping with the recommendations of the Economic Council of Canada, in keeping with the food and business management,

--I am sure there was a typographical error in the original transcript in this connection—

all these things point to the fallacy and the folly, if I can put it that way, of continuing to operate an uneconomic, a loss service. They all point in that direction”.

(Transcript of proceedings, Board
of Transport Commissioners for
Canada, page 4963)

Mr. Emerson's philosophy is expressed by him quite frankly and it does not augur well for the continuation of any passenger service by C.P.R. in Canada. According to Canadian Pacific, if it is uneconomic then, a fortiori, this points to “the fallacy and the folly . . . of continuing to operate an uneconomic loss service. They all point in that direction”. Is this the standard against which all decisions are to be made in the future by C.P.R.? If it is, and there appears to be no doubt that such is the case, then of what use is the covenant given by the C.P.R., in return for the extremely valuable consideration hereinbefore referred to, namely the covenant to “forever efficiently maintain, work and run the Canadian Pacific Railway”?

We submit that the Government of Canada should enforce the covenant which was given to it by the C.P.R. under the 1880 contract. We contend that both parties to the contract must declare their positions.

Of course, I mean the Canadian Pacific and the government.

I continue:

The C.P.R. has already indicated its position, namely, that it does not intend to perform the covenant given by it to Canada under the 1880 contract. It now remains for the government to declare its position as to whether or not it is going to enforce this covenant against C.P.R. We take the position that it is incumbent upon the government either to enforce the contract or to release C.P.R. from the contract. There is no other way, for surely any other approach must be one of rationalization and equivocation. The stakes from the standpoint of the public interest are extremely high. We submit that if the C.P.R. is allowed to get away with these deliberate violations it will be only because the government is not enforcing its contractual rights. Since we believe that that would be contrary to public policy as enunciated in the 1880 contract and against the public interest we say that the public interest must be protected by insisting upon the performance by C.P.R. of its obligations under the contract. C.P.R. should, therefore, be given the choice at once either of living up to its contract or of suffering the consequences of its having unlawfully rescinded the contract. If the latter course is the one which must be followed, then Canada

should demand forthwith an accounting from Canadian Pacific and should obtain the return to the people of Canada not only of the monies which have been paid to the C.P.R. under the contract but also the return of the land grants and the natural resources therein which have so enriched the C.P.R.

The comparison between the attitude of hand-wringing despair of spokesmen for Canadian Pacific with that of rail transportation officials in the United States is worthy of note. The attitude of C.P.R. has already been articulated in the proceedings before the Board of Transport Commissioners. It is apparent that events are moving quickly in the United States in quite an opposite direction from that in which Canadian Pacific is moving, at least in the field of railway passenger service. In the United States, considerable research is going on with a view to modernizing railway passenger service. When this matter was being considered by the Board of Transport Commissioners, we produced statements by leading men in the railway industry which indicated that a "new look" is being assumed in the railway passenger industry. With highways becoming more and more congested by motor vehicle traffic and with the cost of highway construction increasing constantly, the realization has come home to the railway industry and to the United States Congress that steps must be taken to re-assert the importance of railway passenger service. I do not wish to take up your time by reciting all of the evidence which I introduced before the Board of Transport Commissioners as to the developments in the United States although its importance cannot be exaggerated. May I merely, therefore, mention only a few of the points of view which have been expressed by men who are in a position to know whereof they speak. I ask you to note that the people whom I quote are men in the railway industry.

Mr. Sidney Bone who is New York Central's Passenger Sales Manager at Chicago and President of the American Association of Passenger Traffic Officers:

What is going on right now may well mark the turning point in the history of the railroad passenger train.

Mr. James R. Getty, General Passenger Traffic Manager, Seaboard Airline:

There are three basic requisites for success.

I ask you to apply these requisites to the standard of the Canadian Pacific in the operation of the Dominion.

1. Good potential. We have it. Travel today is a \$30-billion industry—it's going to get bigger.
2. A good product, fairly priced.
3. Make patrons feel wanted.
4. Advertise—then get out and sell. We should try not to provide just transportation but travel.

Mr. Wayne A. Hoffman, Executive Vice-President of New York Central:

There are encouraging indications that responsible people...are becoming aware of the need for planning and for action...if we can find a way to preserve needed service we won't have to re-invent the railroad passenger train after it has disappeared.

Mr. John T. Connor, U.S. Secretary of Commerce:

Many of us older Americans are railroad buffs at heart, and we will get a real kick out of seeing the Iron Horse riding high and proud again...But the (Johnson administration's) reasons for testing out the

railroad passenger market are not sentimental—they are highly practical. A railroad uses no more land than one of today's modern superhighways—yet it is capable of carrying five times as many passengers. We will need fast efficient rail systems to complement our fast efficient highway systems. All systems must not only move apace of need, but participate and gear up for future needs.

Mr. Chairman and gentlemen, may I interject for a moment to say that the source of these quotes is a publication called "Railway Aids", which is the official organ of the A.A.R., the American Association of Railroads. These references were given to the Board of Transport Commissioners, and I can vouch for the correctness of same. I continue:

The statement made by Secretary of Commerce, John T. Connor, was not merely in the nature of a "pep talk" to the railway executives whom he was addressing. The Secretary of Commerce was referring to a recent statute passed by the United States Congress on September 30th, 1965 known as Public Law 89-220 entitled the "High-Speed Ground Transportation Act". A copy of this Statute is hereto attached. It will be noted that **section 1 of this recent piece of legislation** enacted by the Senate and House of Representatives in the United States provides "that, consistent with the objective of promoting a safe, adequate, economical, and efficient national transportation system, the Secretary of Commerce (hereinafter in this act referred to as 'the secretary') is authorized to undertake research and development in high-speed ground transportation, including, but not limited to, components such as materials, aerodynamics, vehicle propulsion, vehicle control, communications, and guide-ways". The legislation empowers the Interstate Commerce Commission to undertake research with the assistance of both industry and labour and provides that reports shall be made to both the President and Congress. The legislation authorizes the appropriation of \$90,000,000 over a 3-year period ending June 30th, 1968 for the purpose of undertaking the research and development referred to in the legislation.

• (10:45 a.m.)

Mr. CANTELON: Mr. Chairman, may I interrupt? I think the witness must be getting tired. I was wondering whether we could do what we did before, that is to give him a rest, and take a rest ourselves as well, by having a coffee break.

Mr. WRIGHT: It is very thoughtful of you, Mr. Cantelon, but I would like to continue reading the brief and then have a short recess.

The VICE-CHAIRMAN: Is everybody agreed? Mr. Wright will go on reading his brief and then we will have a short recess.

Mr. WRIGHT: On September 30th, 1965, President Johnson signed the Bill. He commented on the objects of the Bill. Several excerpts from the President's remarks appear to be germane in the light of the considerations before you:—

We have aeroplanes which fly three times faster than sound. We have television cameras that are orbiting Mars. But we have the same tired inadequate mass transportation between our towns and cities that we had 30 years ago.

It will help us to determine what kind of high-speed ground transportation people want, what kind of transportation they will use if it is available. The Secretary of Commerce, in co-operation with private

industry, is now authorized to test the public response by making trial improvements in existing passenger systems.

Secretary Connor informs me he has already received scores of designs and operating suggestions for a new railroad passenger car which he wants to try out. These suggestions have come to him from private industry. They are produced at no cost to the Government. And as a result of the enthusiastic co-operation, the Department of Commerce and the participating railroads expect to have completed their final specifications some time within the next two weeks. Thus, we can begin taking bids for the construction of these new experimental rail passenger cars just as soon as we can make the funds available. The first of these cars are expected to be delivered by the Fall of 1966. At that time, the Pennsylvania railroad will begin providing rail service between New York and Washington, and between New York and Boston, at speeds of up to 125 miles per hour.

On January 29th, 1966, the Financial Post carried a report which reads as follows:—

\$500,000 ORDER COULD MARK SECOND RAILWAY REVOLUTION. MONTREAL—A relatively small (\$500,000) order for United Aircraft of Canada Ltd. may mark the beginning of the second major railway revolution.

Just as introduction of the diesel made the steam engine obsolete almost overnight, United's ST6 shaft-turbine engine may in turn oust the diesel for "fast trains".

United Aircraft designed and produced the engine, which is now in commercial use in the Beechcraft King Air and, on a prototype basis in a woodchipper and snowplow. Next summer, it will deliver 14 for the high-speed demonstration passenger trains to be used in the Boston-Washington experimental corridor project.

The Company's parent, United Aircraft Corp., won the \$2.1 million contract for the two trains, each capable of speeds of 120 to 160 mph. on existing track. The contract calls for maintenance and service for the two-year experimental run.

The experimental trains will have special cars, covered with a heavy-gauge aluminum skin, in which the turbine engines will be located.

Their big advantage, according to United, is that they will run on existing track. All other 'fast trains', they say, run on special tracks—some with a third rail—which are expensive and complicated to install.

Mr. WRIGHT: I would like to bring a certain matter to your attention. I do not know whether it was intentional or otherwise but I am convinced that you may have been left with the impression that these new fast turbine trains that are shortly to be put into operation will require some sort of revolutionary realignment of the existing roadbeds, that is of the railway track. When Mr. Crump appeared before you, he said the following, and I will quote from the bottom of page 18 and the top of page 19 of this committee's evidence:

A second major change that is perhaps on the horizon, is in regard to the Atlantic Corridor in the United States. You will recall that the President of the United States recently appropriated \$90 million for

research and development of high-speed rail transportation in what they call the Corridor between Boston and Washington, a distance of approximately 450 miles. Again, there are approximately 40 million people living adjacent to those 450 miles and who would be served by that line. But they are only in the research stage. I think it is worthy of note that any illustrations you have seen put out by research groups or equipment manufacturers of futuristic trains, if I may call them that, are always on elevated track runs.

I think it would have been reasonable for you to assume from this that this new type of engine can only operate on an elevated track. This is simply not so, and if there is any doubt in your minds I would ask you to obtain specific information on it. There is simply no question about it. United Aircraft, which is doing the job, can always be called by you. I have heard about some of the details, and certainly my information—I accept it as being correct—is that the existing railroad track would be usable with respect to this new type of engine.

Here then is a Canadian subsidiary of an American firm which is manufacturing engines for new trains for use on United States railways which will travel at speeds of 120-160 miles per hour on existing track. While all these developments are proceeding in the United States and with Canadian National here at home, the C.P.R. is moving along in its plans to liquidate a large part of Canada's railway passenger service.

You are in a position to verify for yourselves some of the dramatic and exciting developments that are taking place in railway transportation research and development. Practical demonstrations have been made in the United States with respect to high-speed railway engines that will revolutionize the railway industry. It is no longer a secret that Canadian National is presently seriously considering introducing a train in the next few years, possibly by 1967, which would travel between Montreal and Toronto in 3 hours and 20 minutes! Can you not imagine the changes which such a development will cause in passenger travel habits? How is it possible to consider Canada's over-all transportation policy and the position to be occupied by passenger service without taking into account the tremendous developments which will assuredly occur in the next few years? C.P.R. will undoubtedly regard all this as the wishful thinking of the uninformed, and when they do it should be recognized as part of the posture assumed by them as part of their long-range plan to use their money in such activities as Canadian Pacific Investments Ltd. and not in railway passenger transportation.

Mention should be made of one of C.P.R.'s principal diversionary tactics before the Board of Transport Commissioners. At the commencement of the hearings C.P.R. presented a motion that the hearings be postponed indefinitely and that the Company be allowed to discontinue the "Dominion" immediately in order to divert certain diesel units from the "Dominion" to freight traffic. Their argument was that these diesel units were urgently needed in order to provide motive power to haul grain in connection with the current Russian grain contract. The Board of Transport Commissioners denied this motion. We are entitled to assume, therefore, that by denying this motion the Board did not attach any importance to C.P.R.'s argument for if such diesel units were so urgently needed in the public interest then the public interest would surely

surmount all other considerations. Nevertheless, in the final Judgment issued by the Board of Transport Commissioners, the following appears at page 6:—

I am satisfied that the release of the motive power now in use on the 'Dominion' can make a useful contribution to the carriage of that other traffic. The advantages of that contribution support the case for discontinuance of the train.

We contend that the Board is inconsistent in its treatment of the subject. During the course of the hearings C.P.R. officials were asked whether or not there were any box-cars in Canada standing idle because of lack of diesel motive power which were being used on "The Dominion". C.P.R. officials admitted frankly that such was not the case. We say, therefore, that the finding of the Board regarding the need in "other traffic" for the "Dominion's" diesel units is without any foundation and that the Board's finding in this regard is entirely unsupportable by the evidence. It was also established before the Board that the decision to discontinue the "Dominion" was made before the C.P.R. had any knowledge whatever of the Russian grain contract. C.P.R.'s synthetic argument as to the need for the diesel units of the "Dominion" was a rationale which had been initially rejected by the Board and which did not deserve any affirmative finding in the Board's final Judgment.

We are criticized in some places for expressing undue concern about the loss of jobs of railway employees who are represented by the organizations affiliated with the Canadian Railway Labour Executives' Association. We say that we do not have to apologize for this concern. It is a legitimate area of concern for the bargaining agents and the spokesmen of the men concerned.

After all, in view of the concern shown by the Board of Transport Commissioners for the economic plight of Canadian Pacific Railway Company which according to its 1964 financial statement had only made a record \$44-million, it is surely not unseemly for the railway labour organizations to be concerned for the economic and social plight of the men who have been left unemployed by C.P.R.'s actions. This is all the more so in view of the fact that C.P.R.'s case is based primarily on the footing of "unprofitability". It is quite apparent that C.P.R. will not waste any of its time being concerned about the welfare of their former employees. Our disquietude is heightened by the fact that the Board of Transport Commissioners has not shown any concern for the plight of the men since on no less than three occasions, in the course of their judgment, the Board of Transport Commissioners went out of their way to quote from a judgment of the Supreme Court of Canada that the railways do not exist for the convenience of the employees.

The Railway Brotherhoods see men being released from their employment by the discontinuance of "The Dominion" and within several days after this decision is made more men lose their jobs by reason of the C.P.R.'s abandonment of the Montreal-Toronto and Ottawa-Toronto runs. The Railway Brotherhoods are surely not to be condemned when all of these decisions are made without any concern being given to the welfare of the employees or without any provision being made for severance pay or for compensating the men for their travelling and moving expenses for themselves and their families in order to exercise their seniority as a result of the changes caused by these management decisions. The Brotherhoods are aware of the fact that public policy with respect to the protection of the welfare of railway employees was expressed, to some extent, in the Canadian National-Canadian Pacific Act which provided for

compensation and assistance to employees adversely affected in the circumstances described in that legislation. The Brotherhoods are aware of the fact that when Bill No. C-15 was considered during the last Session of Parliament by the Standing Committee on Railways, Canals and Telegraph Lines, that Committee presented its Report to the House of Commons, which read in part as follows:—

The Committee was favourable to the subject matter of Bill C-15 and commends it to the House and the government; and to further clarify our views on the situation relating to the subject matter, the Committee recommends that:

The government give consideration to amending Section 182 of the Railway Act to ensure the rights of railways employees in those cases where abandonment, merger or coordination between railways, or the closing or near-closing of terminals and shops or the introduction of 'run-throughs' is undertaken by the management.

The Committee would prefer that such matters as adjustment, compensation, re-training arrangements, and other ameliorations of the dislocation be a matter of negotiation between management and the employees' legitimate bargaining agencies but it recognizes that a strong encouragement to such means of settlement will ensue when Section 182 is read in such a legal way as to offer firm protection to the employees.

(Report of Industrial Inquiry
Commission on Canadian National
Railways "Run-Throughs",
pages 29-30)

Thus, although the principle of providing compensation and other ameliorative measures to railway employees in certain situations has been recognized at various stages in Parliament, the plight of the employees has not been given any consideration whatever either by the Board of Transport Commissioners or by C.P.R.

We submit, therefore, that for all of the above reasons the decision of the Board of Transport Commissioners should be rescinded forthwith and the C.P.R. should be directed to resume the operation of the "Dominion" as a properly equipped transcontinental passenger train. We submit that the Board's decision is an uninformed one in that it does not seek or even pretend to take into account:—

1. What comprises Canada's foreseeable national transportation policy.
2. The future potential of passenger traffic requirements, both long-haul and short-haul.
3. The nature of the technological changes which are imminent in railway passenger transportation.
4. The social and economic impact upon the communities affected by the discontinuance of "The Dominion".

To the extent that the Board's decision proceeded in complete ignorance or disregard of these factors, their Judgment is not at all helpful in resolving the issue. The Board's interpretation of the 1880 contract, we submit, inspires little confidence in that Board's appreciation of the role to be played by C.P.R. in Canada's future development of railway passenger transportation. The Board's

preoccupation with C.P.R.'s arguments concerning "profitability" is only an extension of C.P.R.'s philosophy which we contend, is contrary to public policy as expressed in the 1880 contract and is against the public interest. C.P.R.'s deliberate and calculated destruction of "The Dominion" is an act which should be recognized for what it is and C.P.R. should not be allowed to get away with such reckless irresponsibility. C.P.R. should be directed to play its part, realistically and without any more of this nonsense, and to efficiently maintain, work and run its railway.

It has been said in some quarters that in view of the truculent attitude of C.P.R. it is unrealistic to assume that they can be forced to play their proper role honestly in passenger service. We cannot believe that C.P.R. is bigger than the Government. If, however, the Government should become persuaded that C.P.R.'s intransigence precludes the possibility of a reasonable expectation that they will honestly perform their contractual responsibilities, then the Government should show no hesitation, once and for all, in demanding and enforcing, by all means at its disposal the return to the Government of Canada of the natural resources given to C.P.R. by Canada. It is what the overwhelming number of Canadians would expect of its Government.

All of which is respectfully submitted.

After recess I would like to deal with one or two other matters.

The VICE-CHAIRMAN: Thank you, Mr. Wright.

Before we recess I would ask the members of the committee for a motion to print this brief as an appendix to today's proceedings.

Mr. CANTELON: I so move.

Mr. REID: I second the motion.

Mr. ORLIKOW: It is the usual practice, in view of the fact Mr. Wright read the whole brief into the record, not to re-print it as an appendix. I cannot see any point in printing the brief as an appendix to the proceedings as well as printing the whole brief in the record. I think Mr. Wright only left out a few things, such as the listings of the affiliated organizations and where the quotes came from. It would seem to me that it would be more proper to make a motion to take those as read so that there would be no need to re-print the brief as an appendix.

Mr. CANTELON: We should also print public law 89-220 as an appendix to today's proceedings. This was not read and could be printed.

The VICE-CHAIRMAN: You mean to say we should print what was not read?

Mr. ORLIKOW: The only thing the witness missed out was the listing of the organizations and the references to the origin of the quotations. That could be added, and the rest of the brief printed into the record.

Mr. BYRNE: There is no point in printing the whole brief twice. In essence this is what Mr. Orlikow is saying. Let it be printed as Mr. Wright has read it, and simply add the names of the organizations.

The VICE-CHAIRMAN: You mean we should print it as it was read by Mr. Wright?

Mr. DEACHMAN: Mr. Chairman, a verbatim report is taken of the proceedings, and it seems to me that that report of our proceedings this morning will start out with the introduction of the witness and will go on to the reading of the brief as the witness gave it. That verbatim record will also include those words

which the witness gave as explanatory remarks when he paused on two or three occasions to make further explanations of his brief. At the completion of the brief we would then have the whole record of it with the exception, as Mr. Orlikow pointed out, of about a paragraph, items which stated the names of the affiliated organizations on page 1, and so on. Therefore, there would be no further need to re-print the brief in full, provided we agree that we also include as part of the text the names of the organizations appearing on page 1.

Mr. SOUTHAM: In view of the remarks that have just been made, perhaps the mover of the motion that this brief be added as an appendix to the proceedings should withdraw his motion, as should the seconder of the motion.

Mr. REID: I will withdraw as seconder of the motion.

Could I make a motion to have Public Law 89-220 of the United States printed as an appendix?

Mr. ORMISTON: That was moved by Mr. Cantelon.

Mr. CANTELON: I suggested it.

The VICE-CHAIRMAN: It is moved by Mr. Cantelon, seconded by Mr. Reid that Public Law 89-220, which was appended to the brief submitted to us this morning, be made an appendix to today's proceedings.

Motion agreed to.

We will now have a fifteen minute recess.

On resuming.

The ACTING CHAIRMAN (*Mr. Deachman*): We have a quorum and we will now proceed to the examination of the witness. The first man on my list is Mr. Cantelon.

Mr. WRIGHT: There is just one other matter on which I would very much like to speak before the questioning starts. You will recall that a very large part of C.P.R.'s presentation related to the question of what they call "variable costs". I understand these variable costs to refer to the savings which would be experienced by C.P.R. if the Dominion were discontinued. It seems to me that the subject is in a very rarified atmosphere. I have met very few people, including myself, who really understand what is involved in the matter of variable costs. I do not profess to have any type of expertise on the subject; indeed I readily confess my limitless ignorance of the subject. All that I can hope to do, however, is to try to bring such common sense as I have to a consideration of this matter of the variable costs or regression analyses that have been described in previous hearings before your committee. However, when this matter was dealt with before the Board of Transport Commissioners, the position taken by the C.P.R. was that the variable costs attributable to the Dominion amounted to \$9,673,932.00. In other words, I understood that to mean that if the Dominion were to be eliminated, there would be a direct saving to C.P.R. of \$9,600,000.00.

Now I would just like to make some comments in my own uninformed, amateurish way, as one who has had some contact with businessmen in my general practice. First, and I do not say this in any snide way, when the C.P.R. appeared before the MacPherson Royal Commission on Transportation, they claimed a deficit of \$17 million on their variable cost of moving grain at statutory and related rates in the year 1958—that was the year that was under study by the Commission. This figure of \$17 million was reduced by the MacPherson

Commission in volume 1 of its report to \$2 million, but by the time the MacPherson Commission published volume 3 of its report, it was further reduced to a profit of half a million dollars. I merely mention this as an indication that this business of regression analysis and of variable cost is by no means an exact science; it is at best a method of assembling statistical information which is employed by the railways. I am merely pointing out that when an alleged deficit of \$17 million can be converted by the MacPherson Commission to a deficit of half a million dollars, I think it calls for some raising of eyebrows and for some very serious questioning.

Now, in the presentation by the C.P.R. of their case before the Board of Transport Commissioners I said they claimed that there would be a saving as it were, an avoidance of cost, to the amount of \$9,600,000. I do not propose to go into this in detail; although it is a boring subject, it is nevertheless a very important subject because if the C.P.R.'s figures cannot stand up under scrutiny, then their entire case for discontinuing the Dominion falls to the ground on the strength of their own submission. However, there were three items involved in this \$9,600,000 figure which total \$6,053,000. The three items were: road maintenance, depreciation, and cost of money. Road maintenance ran to \$1,932,657. I have difficulty in understanding why the discontinuance of the Dominion which, after all, represents a very small portion of the over-all operation of C.P.R.—the bulk of their business is in the freight field—would represent a saving of \$1,932,000 on road maintenance alone. I could not understand it when we were before the Board and so I questioned Mr. Nepveu who was the expert witness produced by C.P.R. and who is in the room today. I must admit that after hearing his evidence I was more confused than ever. Proceeding, in my ignorance, I said "Look here, if you say that you are going to save \$1,932,000 by eliminating the Dominion, can you tell me how much additional expense C.P.R. is going to have by reason of the movement of Russian grain? After all, the amount of transport involved in moving the Russian grain is overwhelming by larger than what is involved in moving this silly little train we are talking about composed of a diesel, a buffer car and two coaches." He said—I am paraphrasing; it was just before the luncheon adjournment—that he would think about it over lunch and provide us with an answer when we resumed. We adjourned at 12.30 and reconvened at 2 o'clock and asked him whether he had an opportunity to think about it. He said he had. I said, "How much would it cost you?" He said, "Five hundred thousand dollars." I thought that was a nice, round figure, but I said, "Mr. Nepveu, how did you arrive at that figure?" He said, "Just by the application of our variable cost formula." I merely put it to you that really when you think of the amount of friction and wear and tear on the tracks resulting from the movement of the Russian grain, and relate it to the amount involved in moving the Dominion, it just does not make sense to me.

He also claimed \$303,412 for depreciation on locomotives, and \$1,033,232 for depreciation on passenger cars. However, the whole basis of their claim before the Board of Transport Commissioners was, "We need those diesel locomotives so that we can use them in connection with the Russian grain contract."

• (11:40 a.m.)

If they are going to use the diesels that were used on the "Dominion" and put them on the Russian grain contract, how can they talk about depreciation

for those very same locomotives by reason of the fact that they have taken them off the "Dominion"?

They then claim for cost of money under three headings, and this is for the full year of 1964.

I notice Mr. Olson, whom I have not met, making some careful notes. I know that he appeared before the committee and I suspect he must have experienced the same sense of frustration as I experienced, and I would certainly welcome any assistance from him if he was enlightened more than I was. I would appreciate any assistance I can get from him or from anyone else.

The cost of money for road is given as \$627,274. The cost of money for use of locomotives is given as \$434,700. The cost of money for use of passenger cars is given as \$1,682,192.

I submit in all seriousness that this is a fallacy. The cost of money is not a cost factor. The cost of money is really nothing more than an estimate of earnings that you have not made because you had your money tied up in another aspect.

Mr. McINTOSH: Mr. Chairman, may I interject here on a point of order and say that Mr. Wright is going over the brief of the Canadian Pacific Railway. We have gone over that brief ourselves and now we are here this morning to listen to the C.R.L.E.A. brief. I think Mr. Wright can well leave the brief of the Canadian Pacific Railway until later.

Mr. OLSON: On a point of order, I recognize the validity of Mr. McIntosh's remarks, but I think it would be useful to the committee to hear the opinions of knowledgeable people who have studied these costs because I think this is the core of the matter. It is certainly the core of the matter as far as I am concerned. If there are spokesmen for other organizations who are confused and dissatisfied with these costs, I think it will be useful to hear about it.

The ACTING CHAIRMAN (Mr. Deachman): We have heard a couple of comments on this. I think the witness is now expanding on his statement; he may not necessarily be expanding on aspects of the statement which some members might want to hear. I wonder whether we can listen to what the witness wants to say about this—and I think we will agree with what Mr. Olson said—without interfering with the right of members to bring in lines of questioning on aspects of the matter which they want to follow up.

Is it agreeable to the committee that I now proceed with questions from members in the order in which I have them noted and that the committee will continue with the examination of the witness in this way?

Mr. OLSON: Either way, Mr. Chairman, is agreeable to me, but I think it is very useful for the committee to hear the opinions of the witness on these costs.

The ACTING CHAIRMAN (Mr. Deachman): I agree.

Mr. BYRNE: I would be quite happy to listen to Mr. Wright, but I think we must accept the fact that he has said he is not an expert on the question of costs. We may be able to call before us some impartial person who is an expert on this matter of costs.

Mr. McINTOSH: Mr. Chairman, my point is this: Mr. Wright says he is not an expert on this subject. He has opinions, granted; and possibly he has opinions on every brief that is going to be presented to us. However, if we are to follow the procedure of having the witness deal with every brief, Mr. Chairman, you will then find yourself in the position of not having a quorum to

listen to him, because we have studied this ourselves and we have questions to ask. If the witnesses wish to make one or two observations, that is all right but I do not think we should go through each brief each time a witness comes before the committee.

Mr. WRIGHT: May I interject, Mr. Chairman?

Since preparing the formal brief which I have submitted certain information has come to me from experts on the subject of variable costs. I was making one or two introductory comments leading to an opinion of one who is regarded as an expert. Indeed, he is Professor of Transportation at Northwestern University School of Business. I do not intend to read this paper but rather to refer you to certain parts of it, and I want to present to you his views on variable costs as interpreted by the Interstate Commerce Commission in the United States, which I understand is precisely the same standard which is being used in Canada.

The ACTING CHAIRMAN (*Mr. Deachman*): Gentlemen, I think we know what is in the mind of the witness. We have a list of members who have specific questions they want to ask, however, and I will therefore proceed to the calling of names. I will first call upon Mr. Cantelon.

Mr. CANTELON: I think we have all listened with very great interest to the very hard-hitting brief which Mr. Wright has presented to the committee this morning.

On page 2, 3 and 4, and again later on, around pages 14 and 15, you describe what I think might be called the plucking of the "Dominion". It seems very clear it is your opinion that the Canadian Pacific Railway deliberately did this to discourage traffic so that they could state there was no longer an effective demand for the train. I think this is very clearly summed up in the page 11, where you state as follows:

First the C.P.R. destroys the efficiency of the "Dominion" and then pleads that the resulting unprofitability no longer warrants continuation of operation by the Company.

I think that is a fairly good summing up, is it not, of your opinion on that particular part of the brief?

Mr. WRIGHT: That is correct, sir.

Mr. CANTELON: There is one phrase that particularly interests me in all this, and that is "effective demand". I would like first of all to ask you what your opinion is of the definition which the Canadian Pacific Railway applies to the term "effective demand". It is found on page 2 of their brief, and for your convenience I will quote it:

The effective demand is the demand for service at prices which meet the cost providing that service.

These are the words of the Canadian Pacific Railway. Do you quarrel with that at all?

Mr. WRIGHT: No, I do not think I quarrel with that.

Mr. CANTELON: Thank you. I have some comment on this, however. It seems to me that the Canadian Pacific Railway in this connection are equating the phrase "effective demand" with the actual number of passengers they carry on their train. This I mentioned to Mr. Emerson. He did not quite agree with me. What do you think about that?

Mr. WRIGHT: The first thing from the standpoint of the advancement of public interest is to determine what is the nature and the extent of the demand for passenger services in Canada. The question of fares and the revenues which they will produce is, as far as I am concerned, quite a different subject. This is something which may well fall into the public domain; possibly subsidies might be involved. But the first thing is to determine what is the demand, what is the potential future market for passenger services.

Mr. CANTELON: This is the distinction I wanted to make. I wanted to make the distinction that there is what might be called the potential demand as well as effective demand, but they I think are still equating effective demand with the number of people they can carry on the train. This is the only way they can measure it, obviously.

Mr. WRIGHT: Yes, and of course in determining effective demand one must take into account the nature of the service that is being supplied and the price at which it is being supplied.

Mr. CANTELON: I realize that.

The second matter I want to discuss is that of the service that is being supplied. Here I am thinking particularly of the technological advances that have been made in type of service and those that I think will be made in future. I have the feeling that the Canadian Pacific Railway Company has not been too progressive in this respect.

I do not know very much about railroading but I do know that every other type of transportation—and we all know this—has changed very greatly in the last few years. For instance, air transportation I am sure could not operate at a profit today if it were operating the same type of aircraft as those it had in service just a few years ago, let us say as recently as five years ago. I know it is much more difficult for rail transportation to keep abreast of technological improvements than perhaps for other types of transportation, because rail units are larger and less flexible it is not possible to change them in the easy way in which you can change a single unit in an air passenger service. Nevertheless, I wonder if the advances are being made here that should be made.

Mr. WRIGHT: Essentially I am making a plea for a good hard look at what is public policy in the field of transportation generally—air transportation and surface transportation. I say that before one can determine whether or not approximately 25 per cent of Canada's transcontinental passenger service is to be withdrawn, that withdrawal must surely fit in to some over-all policy.

I am simply asking that Parliament should determine what is Canada's over-all transportation policy and then determine the role rail transportation will play within that context.

Mr. Kelly would like to say something on that?

Mr. W. P. KELLY (*Vice-President of the Brotherhood of Railroad Trainmen*): You mentioned, sir, that you realized the railways would not have the flexibility in operation that the air lines have.

Mr. CANTELON: I say that because an air line operates a smaller unit it is comparatively easy to take it out of service and to put it into service, but it is more difficult with a train. I have some more questions to ask about this.

Mr. KELLY: Let me possibly enlighten you about trains that are available today. I refer specifically to the United Aircraft train which has been mentioned. This is along the same principles as air lines. The maintenance on that

train is what is called "computerized maintenance". The life of any given component is determined; they can take out an engine by simply disconnecting a few relays. The same applies to the air conditioning units and to the other component parts of the train. Maintenance is undertaken on a planned basis, so the train is maintained before breakdown occurs. All this is to get away from the principle you have just mentioned and to give flexibility. This equipment is available today and, to quote Pierre Delagrave, the former top passenger man in Canadian National, this jet principle turbine should do for railroading what jets did for the air lines. The comparison would be between the propellor days and the jet days in terms of aircraft. This equipment is not on the horizon; it is here to be utilized by the railways.

Mr. REID: With your permission, Mr. Chairman, I would like to make an interjection at this point.

Is the 25 per cent of the transportation system which is referred to the number of passengers carried or the amount of physical equipment available?

Mr. WRIGHT: It is the amount of physical service before the "Dominion" was downgraded. Canadian Pacific has the "Dominion" and the "Canadian"; Canadian National has two transcontinental passenger trains and, in some seasons of the year, a third.

Mr. REID: That is 25 per cent of the physical capacity, not 25 per cent of the total passenger potential.

Mr. CANTELON: I was glad to hear what Mr. Delagrave said, because he was a progressive railroader and had the ideas I am trying to bring out here.

There is another matter of flexibility on which I would like to ask for an opinion. Do you think it necessary for a railway to provide five different types of accommodation on a train like the "Canadian"? Could they not do something more like the airlines? I know they have to provide more types of accommodation because they have to provide for sleeping accommodation on the train, but why could they not provide just two types of accommodation and then computerize their reservation system? It is the reservation system, I am sure, that is causing one of the great difficulties in getting this effective demand up to a point at which the trains will actually make money.

Mr. KELLY: I would agree that they could limit the type of accommodation, and I think you have hit on a key here, that is that they could computerize the reservation system. Many times I have personally stood in line at the wicket in Montreal and actually watched people pick up their suitcases and walk away swearing.

Mr. CANTELON: There is one other point, Mr. Chairman. Mr. Wright said we were left with the impression that it is if not impossible at least extremely difficult to operate on a track trains that travel at speeds of 120 to 160 miles an hour as well as trains travelling at much slower rates of speed. Here again I have faith in modern technology and I believe it should be possible to do this. However, I would like the opinion of some railroaders on this point.

Mr. WRIGHT: I am not a railroader, sir, but I would like to say that the United Aircraft Corporation has put out a "Fact Sheet" which says—and I have it before me—that it would be "capable of speeds of 120 to 160 miles an hour on existing trackage." It goes on to elaborate as follows:

Banking on curves is a key concept in the United Aircraft design. It is accomplished with a pendular system in which support arms from the

axle are carried to mounting points high on the car above its centre of gravity. The support arms are mounted on a system of springs to permit the lower part of the car at the centre of gravity to swing to outboard of a turn while the wheels remain in position on the track. Unlike most railroad cars which have four-wheel trucks at each end, the United train has only two wheels one axle-mounted, in effect, between cars.

In other words, it could be done and their plan is to do it on existing trackage.

Mr. CANTELON: This is not the point I am making. I appreciate it is an easy matter to design a car to travel 160 miles an hour on a track as it exists because I have friends who drive automobiles at 80 miles an hour on the roads as they exist, and they have not had any trouble on the curves! The difficulty of operating a train at that speed on a track surely occurs because you also have freight trains which are travelling at, say, 60 or 65 miles an hour. What difficulties does this create in railroading? Are the difficulties so great that they lower the over-all operating efficiency of the railway to run a high speed train like that?

Mr. WRIGHT: I think Mr. Kelly can speak to this from practical experience.

Mr. KELLY: The problems of trains running at various speeds would arise owing to the super-elevation or banking on curves. The main product is freight. The railway must see that in order to take a high speed train they do not bank the track on a curve to such an extent that a freight train going round that curve at a slow speed might topple over. This problem has certainly been anticipated by manufacturers such as United Aircraft. They realize that the investment for super-elevation of existing roads and even to build new roadbeds would be prohibitive.

Mr. CANTELON: You are still missing my point, Mr. Kelly. This is not the point at all. I realize that. What I am wondering is this: You have a freight train travelling at 60 miles an hour going west, for example. Behind it you have a train travelling at 160 miles an hour; in fact you have lots of these trains going west and a lot of them coming the other way. The difficulty is in the overtaking by the fast train of the slow train and the very short amount of time that is required for the fast train to pass a siding, and so on.

Can the company co-ordinate schedules in such a way that the fast train does not create an extremely heavy cost burden on the operation of the railway?

Mr. KELLY: Absolutely. You might say that a similar situation existed with the train order and watch when the fast trains were cleared when you were on a 20-mile-an-hour slow train. Now we have centralized fast traffic control; it is down to a science. There is no problem with trains of various speeds clearing each other, no problem whatsoever.

Mr. CANTELON: Thank you.

● (12:00 p.m.)

There is one other question I would like to direct to you. On page 18 you mention "the employees of C.P.R. who now become unemployed by reason of the Canadian Pacific Railway's abdication", and then you go on to mention certain trains. Now, these technological advancements, if we can call them that, resulting in faster trains, might add to this unemployment situation. However, we have heard from the Canadian Pacific officials that there is a constant influx

of new employees and, if I interpret what they say correctly, anyone who is put out of work can expect to be taken back in a very very short space of time.

Mr. WRIGHT: Yes.

Mr. CANTELON: Is that correct?

Mr. WRIGHT: I am glad you asked that question. In the first place we, at this end, do not accept the Canadian Pacific's figures. As I recall, they said there would be a loss of about 88 jobs. But, in the breakdown they have given you there has not been any mention at all made about sleeping car porters. What has happened to them? Now, let us be realistic about this; most of these porters are coloured and their seniority is limited to the job of sleeping car porters. The Canadian Pacific breakdown simply eliminates them, giving as their reason: We use sleeping car porters on the Dominion only during approximately two months of the year; the Dominion simply does not have any sleeping cars and, therefore, there is no need for porters.

Mr. Blanchette of the Brotherhood of Sleeping Car Porters testified before the Board of Transport Commissioners, at which time he went into this matter in great detail. I would not wish to take a great deal of time to elaborate on what he said, but he did give the breakdown and showed the loss of jobs pertaining to sleeping car porters on the Dominion from the time the Dominion reduced its consist from a regular transcontinental passenger train to what it was before it was discontinued or downgraded; the figure of 168 jobs was set out for sleeping car porters alone, which is almost double the figure given to you. Since then 32 more sleeping car porters have been laid off presumably because of the abandonment of service by the Canadian Pacific between Montreal and Toronto.

Mr. Brown, who is the General Chairman of the Brotherhood of Railroad Trainmen testified before the Board of Transport Commissioners to the effect that over 200 jobs were lost between September 1, 1965 and September 7, 1965; on September 1, there was a full consist but on September 7, what I called a "Toonerville Trolley" was implemented. In that connection only he said there were over 200 men who lost their jobs; and this does not take into account 321 summer jobs which were lost mainly by university students employed by Canadian Pacific and who came primarily from the city of Vancouver.

There was another aspect of this matter on which Mr. Brown testified. He said that because the Canadian Pacific no longer had sensible facilities for transcontinental service on the Dominion the passenger demand on the Canadian had been increased tremendously. He was speaking for the waiters in the dining cars. They sat 48 people at a meal and he said they had to serve about 200 meals a day—and, this was at the time he was testifying before the board. Now, he said that these men who were waiters on the Canadian were working from 7 a.m. until midnight because it was a constant grind; no sooner would they be finished with breakfast than they would commence with lunch, and no sooner had they completed their work in connection with lunch than they had to commence making arrangements for dinner. Mr. Brown said he was being deluged with protests from the people he represents, saying they were working under very very difficult conditions, to say the least.

Now, members of the committee, although that is one part of the picture there is another part of it. When I was here the other night listening to Mr.

Crump and Mr. Sinclair testifying I heard Mrs. Rideout ask a question which, in my opinion, was very pertinent, and with the greatest personal respect for Mr. Crump and Mr. Sinclair I felt she did not get a proper answer to her question.

Mrs. Rideout put a question about men on the spare board, and she said it may be true that men are moved as a result of the discontinuance of the Dominion from job A to job B, A being his regular position and B being a position on the spare board. Apparently Mrs. Rideout understands the procedure. If a conductor, engineer or fireman has been with the service for 20 years he has 20 years seniority and works on a regular basis. It is true he is still an employee of the Canadian Pacific but, as they call it in the trade, he is bucking the spare board. It may very well be that his earnings have not shown any marked reduction because of the Russian grain movement. But this is not going to go on forever, and what happens when that contract has been fulfilled? That man will lose his job, and the job he has on the spare board is gone. In other words, the immediate impact is not as severe as the ultimate impact which might follow in a matter of approximately two or three years.

This subject was dealt with very briefly in a report handed down recently by Mr. Justice Samuel Freedman of Winnipeg in what was called the "Run-Through Inquiry". Here is the way Mr. Justice Freedman deals with this particular subject—and, I am quoting from page 82 of his report:

Moreover, when a job becomes redundant the impact of the change may extend beyond those who seem immediately affected by it. The wise and benevolent employer may protect the present job holder either by retaining him in it until his retirement or by assigning him to another job. But what of the new entrant into the industry? For him the former job no longer exists. "Silent firing" is what this state of affairs is sometimes called. This new member of the labour force may perhaps have a different job available to him. He may have to go elsewhere to obtain it, and so even in such case some hardship would result from the technological change.

We are not here to say that the Dominion primarily should be preserved in order to protect jobs. If we are to advance through technology and if we are to meet competition in a field of experts from other countries we will have to progress with the times, and this applies equally to labour. But, I am simply saying that for the Canadian Pacific officials to tell you, with any degree of seriousness, that the total impact was a loss of 88 jobs, is completely unrealistic.

The ACTING CHAIRMAN: Mr. Cantelon, are you fairly close to the end of your questioning?

Mr. CANTELON: Yes, I am, Mr. Chairman. I just want to finish by saying that I hope the questions I have asked have not given anyone the impression that I am antagonistic toward the Canadian Pacific or to the arguments being presented today. I think the Canadian Pacific should operate the train to make a profit but, in my opinion, they have not exhausted their possibilities of making a profit with it mainly because they have not kept up with the times and all the new technological advances which could be used. If they did I think their situation would change from a non-profitable operation into one that is profitable.

Mr. WRIGHT: Well, Mr. Cantelon, I am not a member of the committee but may I presume to say that I completely agree with you.

The ACTING CHAIRMAN: Would you proceed now, Mr. McIntosh.

Mr. WRIGHT: And, if I might add, I think it is doubtful whether they will ever show a profit on the basis of the costing formula they follow.

Mr. McINTOSH: Mr. Wright, I would like to thank you for being so frank in your brief and the statements which you have made so far this morning. However, I would like to put some questions based on what is in the brief at this time.

At page 35 in the brief this statement is made:

We submit, therefore, that for all of the above reasons the decision of the Board of Transport Commissioners should be rescinded forthwith—

I wonder whether you could enumerate the reasons by setting them out A, B, C and D, as briefly as possible. Have you a list of them or did you just say that as a general statement?

Mr. WRIGHT: My reasons are listed in the following sentence, and there are four points that are enumerated there. I say that any decision by the Board of Transport Commissioners to discontinue the Dominion is unrealistic unless it takes into account:

1. What comprises Canada's foreseeable national transportation policy.
2. The future potential of passenger traffic requirements, both long haul and short haul.
3. The nature of the technological changes which are imminent in railway passenger transportation.

And, finally, and by no means in descending order of importance:

4. The social and economic impact upon the communities affected by the discontinuance of "The Dominion".

Perhaps I should have added a fifth point, which would be this: I question directly the validity of the costing methods used and I am asking this committee to look into this matter very carefully through independent witnesses. If I am given an opportunity I would like to draw your attention to a certain aspect of the costing formula because I think this is of the greatest public importance.

Mr. McINTOSH: The reason I asked that is that I noted the words "above reasons" and then you referred to the undermentioned reasons. However, in view of the frankness of your brief and some of the statements you have made about basing decisions on false premises and so on, in reference to a conversation you had with one of the Canadian Pacific officials, you said you were more confused than ever.

So that I can better understand your brief, Mr. Wright, I would like to ask you just what is meant by a few statements in your brief. The first one is at page 21, which reads as follows:

Surely it is time for someone in the government, or possibly in Parliament, to remind Mr. Emerson that when he talks about spending C.P.R.'s "own money" he is talking, to a very large extent, about "our" money, that is to say, money and wealth given to C.P.R. by Canada.

You made a reference to Parliament; I am a member of Parliament and I would take from that statement that I have been remiss in some of my duties. What do you mean by "our own" money in reference to the Canadian Pacific?

Mr. WRIGHT: I am referring to the fact that a very large proportion of Canadian Pacific's wealth today is made up of the value of the money which actually has been given to them as cash in hand by way of subsidies and, secondly, by the very fact that these natural resources which they acquired have an immeasurable wealth. The acreage given to the Canadian Pacific goes right through the Leduc oil fields, and the exact value of these lands today is immeasurable. But, unquestionably, these areas rate as one of Canada's most important natural resource areas. They now have these in their portfolio and, as a result, it is "our" money that they have in their treasury.

Mr. McINTOSH: Well, Mr. Wright, I cannot say that I agree with you in that connection, and perhaps I should not argue that point now. But, was that not part of the agreement or contract, which was binding on both parties?

Mr. WRIGHT: I agree.

Mr. McINTOSH: It is "their" money in the same way as the money that I am paid as a member of Parliament is "my" money, and in the same way that the money you are paid by these various brotherhoods to represent them here is "your" money.

Mr. WRIGHT: Yes.

Mr. McINTOSH: The point I am getting at is this. Do you actually believe that the Canadian people still have some hold on the money and lands that were given to the Canadian Pacific under the agreement or contract? I am just trying to understand the Canadian Pacific brief and your statements: I am not trying to be facetious. I would just like to hear your reasons why you think it belongs to the Canadian people.

Mr. WRIGHT: Well, I think this is basic to this entire matter. I say a contract was entered into. Perhaps I should put it this way: There was a covenant given, an undertaking made by Canadian Pacific that they would perform certain services: complete the laying of the track back in the 1880's, and that they would forever thereafter efficiently maintain and operate the railway. We, on the other hand, gave them certain important considerations and, I say, in all frankness, that the considerations given become even more important and valuable today than they appeared to be in 1880. I have no objection to Canadian Pacific retaining that wealth provided they live up to the contract. I simply draw an analogy; I say that the Canadian Pacific, in effect, gave a promissory note to Canada and, with the greatest respect, I put it to you that Parliament must determine what the value of that note is. You must ask yourselves this question: Have they lived up to their contract or are they winding up with the money without complying with their part of the contract. The contract was not that they shall thereafter profitably maintain and operate the railroad; it was that they, thereafter, should efficiently maintain and operate the railway. I am not taking a sadistic approach to this. I am not interested in having the Canadian Pacific lose money perennially for the sake of losing it. But, I insist that we should make sure that Canadian Pacific lives up to its contract and to their obligations thereunder. I have a strong feeling that if they knew that there was someone here watching them they would make sure they were living up to their obligations, and they never would have had the nerve in the past to downgrade the Dominion in the way they have.

Mr. McINTOSH: You are getting away ahead of me. I will have something to say on their obligations under the contract, the covenant, and so on, but perhaps I should go into it at this time.

The ACTING CHAIRMAN (*Mr. Deachman*): If I could interject here, may I say that I think we should return to the purpose of this committee, which is to examine passenger service on the Canadian Pacific. I am just wondering how far afield we are apt to go, unless we are checked, into this historic contract of Canadian Pacific. I realize we have wandered from the subject from time to time, and it may be that any discussion relating to freight service on the Canadian Pacific is getting a bit too far afield.

Mr. McINTOSH: I have not mentioned freight services. I intend to deal with the covenant.

The ACTING CHAIRMAN (*Mr. Deachman*): I do not want members of the committee to extend themselves too far into the past history of the Canadian Pacific.

Mr. SOUTHAM: Mr. Chairman, this matter has been covered in all the briefs presented to date and I think Mr. McIntosh is within his rights to make certain references at this time. I know this question has been fully developed in Mr. Wright's brief.

The ACTING CHAIRMAN (*Mr. Deachman*): Continue.

Mr. McINTOSH: Mr. Wright, you have referred to transportation and you have referred to the contract or agreement of 1880. You have made reference to a promissory note or, in other words, a pledge. You have used many other terms in reference to transportation and to the original contract. Now, in your interpretation of the word "transportation" and also in your interpretation of paragraph 7 which states, as you have stated: "Thereafter and forever efficiently maintain, work and run the Canadian Pacific," do you take from that that it means they will continuously run rail transportation?

Mr. WRIGHT: Yes.

Mr. McINTOSH: Well, you are a lawyer and should know.

Mr. WRIGHT: In the context in which it is used I would say certainly, it would apply to rail transportation.

Mr. McINTOSH: Why would you say that? I would like your interpretation of this original agreement or contract.

Mr. WRIGHT: My interpretation is really quite unsophisticated and it is simply that the Government of Canada had to have a track completed to the west coast in the 1880's, and they probably decided to go about it in this manner. But, they wanted to be sure that they were not then giving \$25 million in hand and 25 million acres to the Canadian Pacific without making sure they would perform certain obligations to Canada in future years.

Mr. McINTOSH: Right.

Mr. WRIGHT: They safeguarded the public interest by imposing this contractual obligation upon the Canadian Pacific, to quote: "Thereafter to efficiently operate and maintain the railroad." I simply say that "forever" means, in my view, "forever". I say that it is incumbent upon them and that this is one of the things that we, as Canadians, if I might presume to put it that way—and I am not trying to be a Pollyanna about this—are entitled to demand. We should demand an accounting from the Canadian Pacific to make sure that they operate it efficiently; otherwise the contract has no sense from my point of view.

Mr. McINTOSH: Are you referring in this connection to rail passenger transportation?

Mr. WRIGHT: Yes.

Mr. McINTOSH: I am trying to understand this original contract. I am of the opinion now that it was a bad contract, if it was meant to include the maintenance of rail passenger transportation, because it does not mention those words. Perhaps the way the officials of the C.P.R. are thinking is that to maintain transportation you cannot limit yourself to running freight trains—that is not transportation. If it did mean that passenger service was also included, could the C.P.R. not also say, "We can run an efficient transcontinental passenger service by bus, by air, or by horse and buggy," whichever is considered efficient in the period we are talking about?

● (12:20 p.m.)

Mr. WRIGHT: I would go along with you.

Mr. McINTOSH: If the C.P.R. said they were living up to the contract of 1880 by requesting gas stations and air terminals across Canada so they could run aircraft across, what then?

Mr. WRIGHT: Operated by the C.P.R.?

Mr. McINTOSH: Yes, the Canadian Pacific Railway. The contract does not say it has to be rail transportation. Do you think it means rail passenger service?

Mr. WRIGHT: If the C.P.R. could produce a plan that would satisfy the other party to the contract, namely the Government of Canada of the day, and by adopting the plan you postulated they could efficiently maintain, work and run the C.P.R., then the government would have to decide whether or not this would in effect prevent an efficient maintenance, working and running of the C.P.R. We are dealing with a hypothesis—we do not know. However, I simply say that the Government of Canada is not only entitled to, but it must enforce, its contractual rights against the C.P.R. to make sure that they will forever efficiently maintain, work and run the C.P.R. In 1880 the manner in which it was run and the whole concept was entirely different from what it is in 1966, but it becomes a matter of fact to be determined not only by the C.P.R. but jointly with the other party to the contract, namely the Government of Canada, regarding what represents an efficient operation.

Mr. McINTOSH: But the term "C.P.R." is a name. It could be called the John Jones Company.

Mr. WRIGHT: I agree with you.

Mr. McINTOSH: Do you also agree then that it is not spelled out in the contract that this must be rail passenger service? This is a point that is confusing all of us on this committee, I think.

Mr. WRIGHT: I should say this too, that I think we are entitled to look at what the parties intended it to mean in 1880. In 1880 they thought of only one thing and that is the facts as they existed then, namely rail transportation.

Mr. McINTOSH: I cannot agree they thought of only one thing; they must have thought into the future because in those days the horse and buggy were used. Surely they did not think we would continue to use the horse and buggy forever and ever. They knew that if cars came along we would certainly use cars and do away with the horse and buggy. Surely they must have had enough foresight to think that if there were another mode of transportation the C.P.R. would take it on, as long as it was modern.

Mr. WRIGHT: Certainly they were not thinking of airplanes and jets in the 1880s.

Mr. McINTOSH: As far as I am concerned it is an unfortunate term in this contract.

Mr. WRIGHT: The test you are entitled to apply—that I am urging upon you should be applied—is whether you are satisfied that in the context that we are discussing today of the railway passenger service, the discontinuation of The Dominion represents an efficient operation of the Canadian Pacific Railway. I cannot accept that proposition.

Mr. McINTOSH: Before we get off on that tangent may I say that in trying to understand your brief I would like your answer to a few questions. I think you have given me your learned opinion on the obligations of the C.P.R. under this contract as you see it. On page 36 of the brief, in the second line, you say “realistically and without any more of this nonsense”. What do you mean by the word “nonsense”?

Mr. WRIGHT: I am referring to all this flim-flammy in which the C.P.R. indulged when they reduced and downgraded The Dominion. I think it offends common sense. This is why I called it nonsense. I think it offends common sense to have the C.P.R. running a transcontinental train one day and then suddenly removing the sleeping and eating facilities. I call that nonsense.

Mr. McINTOSH: Some of us may possibly agree with you on that but we want to get the facts.

On page 24 of your brief you say “C.P.R. is obsessed only with the need to make money”. In your opinion, what other obsessions have they as a private firm?

Mr. WRIGHT: I would say that if there had not been a contract between Canada and the C.P.R., the C.P.R. would not be any more inhibited than any other private or public company in Canada. However, I say that the C.P.R. is under a contractual obligation not merely to operate their business so that if one aspect of it becomes unprofitable, even though the over-all earnings keep going up annually to \$40 million, as they did in 1964, they reject that one aspect. They cannot simply say “we will eliminate this”. They are always subject by contract to the application of a basic test, and that is an efficient operation and a regard for the public interest.

Mr. McINTOSH: How would you differentiate between what you just said is “my business” and “your business”?

Mr. WRIGHT: I would suggest to you, with the greatest respect, that your business never received the type of subsidy or type of handout that the C.P.R. received. It is there that I see the distinction.

Mr. McINTOSH: If both sides had lived up to that “handout” as you call it, or contract, whether it is a bad one for the other side does not matter as long as they live up to it. I think I have lived up in my business to my contract, and possibly you have in your business. However, is the motive of the C.P.R. any different from yours or mine?

Mr. WRIGHT: I would say obviously the C.P.R.’s motive is to operate as profitably as they possibly can.

Mr. McINTOSH: That is my motive, if it is not yours.

Mr. WRIGHT: That is correct. I am perfectly frank in saying that, as is any one in private industry, but I simply say that by reason of the fact they have been the recipients of billions of dollars worth of national resources, and because they undertook by contract with the Government of Canada, to efficiently maintain, work and run the C.P.R. they simply cannot proceed in the way you would in your business.

Mr. McINTOSH: I do not think the contract spells out that they will run a rail passenger service.

Mr. WRIGHT: If it does not mean that, then what does it mean? With the greatest respect, I realize it is your privilege to ask questions and not mine.

Mr. McINTOSH: I am seeking information.

Mr. WRIGHT: May I put a rhetorical question in answer to yours? What do you think the parties that met in 1880 could possibly have meant other than the continuation of rail transportation?

Mr. McINTOSH: This is a hypothetical question. I can see that the visionaries we had at that time could see the development of Canada and the possibility of other types of transportation being developed in later years.

Mr. WRIGHT: If you are correct in that assumption, then it would be equally open to the C.P.R. to get out of freight transportation. What have we got then?

Mr. McINTOSH: Not to get out of freight transportation but maybe to get out of freight rail transportation. Does it have to be rail?

Mr. WRIGHT: It would have to be determined according to the circumstances that would exist at that particular time, because "forever" is a long time.

Mr. McINTOSH: That is right, but it is in the contract.

On page 26 of your brief you mentioned deliberate violations and obligations. Could you say a few words on that, and what you mean by those two terms?

Mr. WRIGHT: I was referring to the manner in which they truncated the Dominion. I say that to ask Canadians to travel from one part of the country to another without having a place to rest a weary head or without having a place to take nourishment represents, to me, an inefficient operation of a railway. I also say that the mere effrontery of doing that in this way represents a deliberate violation by the C.P.R. of its contractual obligations.

Mr. McINTOSH: Two or three lines further down you say "unlawfully rescinded the contract". Would you, as a legal man, elaborate on what you mean by "unlawfully rescinded the contract"?

Mr. WRIGHT: This begs the original question. We are now talking specifically about an efficient operation of the Dominion. If you accept my premise, and this is the premise I am urging upon you to accept as a member of this committee, that this is an inefficient operation, then it follows that this is a violation of the contract and that it is an unlawful act. It is an unlawful act, if it is a breach of contract. It has been suggested to the Board of Transport Commissioners in Calgary by a lawyer who had no axe to grind and who appeared before the Board as a private citizen, that the Government of Canada should commence legal proceedings against the C.P.R. for breach of contract. I believe that according to the record Mr. Olson was there also. I am now speaking from my recollection after having read the transcript.

Mr. McINTOSH: You said you were here at the hearings when the C.P.R. officials were here. Is that correct?

Mr. WRIGHT: I was here during part of the time.

Mr. McINTOSH: Did you hear me say on that occasion that I felt, time and time again, the C.P.R. were aware of the conditions which the Board of Transport Commissioners accept to grant the application to discontinue a certain service, and the C.P.R. would, in my opinion, do everything they could to bring about those conditions that they knew the Board would accept before they made their application? I felt this has happened on a number of occasions and possibly it also applies to the Dominion. They knew the conditions that the Board would accept to allow them to discontinue that service. Is it your opinion or the opinion of the C.P.R. employees that they deliberately went out and created those conditions of poor service?

Mr. WRIGHT: This is precisely what I have said in this brief. I said they deliberately set out to downgrade the Dominion.

Mr. McINTOSH: With what view in mind?

Mr. WRIGHT: With a view to discontinuing the Dominion. I said the C.P.R. has every intention of getting out of the railway passenger service in its entirety. I am not the least bit interested in this business of variable cost—I am really not too impressed—but I say the C.P.R. hopes to show a profit. They have every expectation of showing a profit on their run between Montreal and Toronto. If the C.P.R. were to step out of the passenger service business between Montreal and Toronto, what hope is there, and what reasonable expectation is there, that they have an intention whatever of seriously continuing the railway passenger service in less populated areas in Canada? This is the most densely populated part of the country.

Mr. McINTOSH: You have heard complaints voiced by members of the committee on the basis of letters which they received from their constituents in regard to reservations on the railway as a whole and on the Dominion in particular. Would you say that the inadequate manner in which the C.P.R. handled the reservations was part of that design?

Mr. WRIGHT: Yes, I think it was terrible.

Mr. McINTOSH: On page 8 of your brief you made reference to the Board of Transport Commissioners, and you said, "I urged the Board, if it did not have the power to deal with this matter meaningfully". Do you believe the Board has not got sufficient authority to deal with what you feel they should be dealing, and if so, have you any suggestion regarding what more authority they should have?

Mr. WRIGHT: I believe the Board does not have the proper authority to deal with the matter meaningfully. The Board deals with this problem on the basis of section 315 of the Railway Act, but the section does not take into account the problem in its broadest implications. It is not enough to deal with it in an isolated situation involving one passenger run and then making a decision on the basis of section 315 in regard to other cases. By the time they have disposed of these things, it becomes an academic discussion. I think the time has come to examine Canada's over-all transportation policy so that the decisions of the Board of Transport Commissioners fit in as part of an over-all policy. They would then be applying public policy.

I simply say to you, sir, that any decision made by the regulatory board—the Board of Transport Commissioners—which operates in total ignorance of what Canada's public transportation policy is—and I do not say this in any snide way but I say it quite literally—renders their decisions rather meaningless. I think it is incumbent upon us, or upon you, the parliament, to determine Canada's over-all policy regarding surface and air transportation. In this way the position of the railway passenger services can be fitted into the over-all picture. Unless you do that, we will be proceeding on a piecemeal basis. Also, to proceed to do this, without giving any consideration at all to the social or economic impact upon the communities, is absurd. Many of the municipalities which appeared before the Board of Transport Commissioners said they had assumed debenture indebtedness based upon a certain set of circumstances. If the C.P.R. comes along and eliminates certain services which service a particular community, it may well be that that community will be faced with some problems. Surely you ought to know in advance what those problems are going to be; they may be major or minor problems. I think it is unrealistic simply to make decisions on an ad hoc basis, without knowing where they fit into the immediate context and whether they take care of future requirements as well.

Mr. McINTOSH: The point I was trying to make, Mr. Wright, is this: Do you feel that the Board of Transport Commissioners had no alternative but to make the decision that they did make in regard to the Dominion because of their rules and regulations?

Mr. WRIGHT: I say they were inhibited by section 315 but that it was certainly open to them—and indeed I urged them to do this—to defer their decision so that the matter could be dealt with in the broadest possible context by the Parliament of Canada and by the Government of Canada. This is what I urged upon them.

May I answer you, not at inordinate length, but a little more in depth?

Mr. McINTOSH: I have three more questions.

The ACTING CHAIRMAN (Mr. Deachman): May I suggest to the witness that he is expanding his replies a little too much. I have here a list of six people who want to question the witness. It is now 20 minutes to 1. This morning we have only heard two people asking questions of the witness. Each member has spent approximately half an hour in asking his questions. Therefore, at the rate we are now moving, in three or four hours' time we will not have given everyone an opportunity to ask questions of the witness. May I appeal to members to tighten down as much as they possibly can on their line of questioning out of respect to other members who might wish to put questions. May I also with respect ask that the witness tighten down on the expansion of some of his answers. Thank you very much.

● (12:40 p.m.)

Mr. McINTOSH: I have two more questions to ask at the present time, Mr. Charman. I want to deal with an area with which I am not concerned at all but on which I have gone to some trouble to collect information. I come from the prairies, but I am going to take the area from, say, North Bay to Montreal, North Bay to Ottawa and North Bay to Pembroke and compare the fares on Canadian Pacific with those on Canadian National.

As I understand it, from North Bay to Montreal the fare is \$16.35.

Mr. WRIGHT: On which railway?

Mr. McINTOSH: On Canadian Pacific. On Canadian National there are three different fares, "Red", "White" and "Blue". The "Red" fare is \$7.90; the "White" is \$9.40; and the "Blue" is \$10.90. I have the figures for the other stations that I mentioned but I think those will be enough.

Can you tell me how the Canadian Pacific Railway can charge \$16.35 and the Canadian National Railways only \$7.90?

Mr. WRIGHT: Perhaps this is what Canadian Pacific includes under the heading of "effective demand". I say they are simply pricing themselves out of the market—and they know better than to do that. If they are pricing themselves out of the market, it might be for some very good reason, namely to get out of the passenger business.

Mr. McINTOSH: I think Mr. Cantelon asked you a question about other employees losing jobs. You mentioned in detail the porters, the waiters on the trains, and so on. Are there not other employees along the line across Canada, such as agents and checkers—I do not know the terms that are used but I am talking of the people who check the trains as they go through those stations. Do they not also lose jobs, and what has happened to them?

Mr. WRIGHT: May I ask Mr. Kelly to deal with that?

Mr. KELLY: Yes. I think Mr. Wright was dealing with the train employees, the back-up personnel or non-operating personnel. For instance, there was a piece in the paper about the number of redcaps at Windsor Station who have been dismissed. There are signalmen and there are all the back-up groups of the train running on the rail.

Mr. McINTOSH: Have you any figure for all those people?

Mr. KELLY: No, we have no figures, but the figure might come out in about six months from now, or after the Russian grain movement; it will be then that these things happen.

Mr. McINTOSH: Suppose they do not happen, have you figures which we could use now for this committee?

Mr. KELLY: No, but many of these people who will lose their jobs are still in the employ of the company on the spare board, or they are actually operating at full capacity on the grain movement. As soon as this traffic falls off, the spare board will have to be cut so the men who are on it can make a living. The bottom men will go out. You might term it a hole in the bottom of the sea; it is a gradual process.

Mr. McINTOSH: I have one further question. If the grain movements and other movements do not close down as you expect, will those people who have been displaced still obtain employment with the Canadian Pacific Railway?

Mr. KELLY: Possibly in a junior capacity—and making less money.

Mr. McINTOSH: Thank you, Mr. Chairman.

The ACTING CHAIRMAN (*Mr. Deachman*): I will call on Mr. Tolmie or Mr. Reid.

Mr. REID: I have to leave at three o'clock, Mr. Chairman, so I would like to ask my questions now.

Mr. Wright, would you not say that in spite of all the conversations we have had about the contract, the sole factor we have to consider is that the Canadian Pacific Railway is a public utility and that if we take any action it will be on this basis, not on the basis of a contract signed in 1880?

Mr. WRIGHT: Yes, I agree with you.

Maybe I was a little too hasty in that reply. I say the decision must be made on the basis of the Canadian Pacific Railway as a public utility, but you cannot—you simply cannot—forget about the contract which was entered into between the government of Canada and the Canadian Pacific Railway.

Mr. REID: I believe it was Mr. Cantelon who brought up the subject of the withdrawal of 25 per cent of Canadian Pacific Railway's physical transportation services. According to Mr. Emerson's evidence before the Board of Transport Commissioners in Winnipeg, the rail service—that is Canadian National and Canadian Pacific—has only 3.7 per cent; 25 per cent taken off that leaves only 0.8 of the total transportation in Canada.

Mr. WRIGHT: Are you talking about the passenger service?

Mr. REID: Yes. This is not a very great amount.

Mr. WRIGHT: It is a matter of opinion, I suppose.

Mr. REID: I have a question for Mr. Kelly.

We have been talking a great deal about technological change in the railways, and perhaps the only possibility for railway transportation to remain viable is in a situation of such change. I think it is an unfair question, but I will put it any way. Will the unions be willing to go as far as it seems to be necessary they go, that is as far as the idea of a computerized train, whereby a great number of employees may become redundant? Passenger service is very labour-intensive, as for example the service of meals. Let us suppose a rather elaborate slot machine were introduced into which one put 50 cents to obtain a meal; would the unions object?

Mr. WRIGHT: I am glad you have put the question to Mr. Kelly and not to me!

Mr. REID: Such a machine would not require any employees to clean up or to serve.

Mr. KELLY: Before various tribunals we have made it quite clear that we are not resistant to change. We recognize changes in technology and automation. We do insist upon the right to have some say in these matters in negotiation, and we insist that they shall not be introduced at a closed period of the contract, as had happened in the past, with railway employees released or their working conditions changed helter-skelter. However, the unions are quite prepared to deal with changes if they are introduced in a planned way and on the basis of negotiation.

Mr. REID: Thank you. May I now go back to Mr. Wright?

It is my impression, as someone who has done a certain amount of historical work in this respect in my profession before I was elected to Parliament, that the Canadian Pacific Railway from the beginning of its operation operated passenger services as a secondary consideration. In other words, the idea behind passenger service was to bring immigrants out to the West to provide the freight on which they expected to make their profit. In other words, passenger service was accepted as a loss.

Mr. WRIGHT: I am not knowledgeable enough historically to answer you in a meaningful way. I suspect that possibly what you say may be correct, but I could not give you an accurate answer.

Mr. REID: My point merely is that if this passenger service was accepted in the beginning as a means of increasing freight, an express service, once that need became redundant and other means of transportation could come in and do the job more effectively, and perhaps even show a profit, then the Canadian Pacific Railway, bowing to the winds of change, would be justified in removing its passenger service.

Mr. WRIGHT: Then why is there a different philosophy on the part of Canadian National? They are confronted with the same problems.

Mr. REID: The philosophy was to come in my next series of questions. Would it be fair to say that the Canadian Pacific Railway, as an almost horizontally integrated company, has a variety of things to pay attention to, and that this leads to one philosophy in passenger service, whereas Canadian National Railways are wholly integrated in transportation, and this leads to a different philosophy?

Mr. WRIGHT: I would agree with you. Certainly I would agree with you.

Mr. REID: We have been talking about technological innovations. We certainly seem to be banking a great deal on the thought that certain of the innovations will be effective in Canada. Who is to pay for that? Mr. Crump claims that no private company in Canada can afford it, and you will have noticed in the papers that the government refused to back the Canadian National Railways in their request for aid to introduce the United Aircraft innovations in railway passenger service in Canada. Where is the money to come from? Can we afford to develop these on our own?

Mr. WRIGHT: Surely it has not yet been established that Canadian National is not going ahead with these technological improvements. Surely this has not yet been established; this is my understanding.

I do not know on what basis Mr. Crump arrived at his figures. If he arrived at his figures—and I do want to come back to this, and I am hoping someone will invite a discussion on the subject—and if he applies the same standard of regression analysis and this variable cost business in the determination of that decision, then inevitably he will always come to the decision that he cannot afford it and that the money might be employed more usefully in Canadian Pacific Investments Limited.

Mr. Kelly would like to say something.

Mr. KELLY: In the transcript you are referring to—and whether this impression was left or not I do not know—Mr. Crump says that these futuristic trains are always on elevated track runs.

Mr. REID: I am referring to the second paragraph of page 19. "I am convinced the vast funds needed for this type of operation are beyond the resources of any private company."

Mr. KELLY: But if you read the paragraph right at the top of the page you will see that he refers to elevated track runs and then he goes on to say in the following paragraph that this is beyond any private company's means. This will involve a terrific sum but the equipment on the market today, as I understand it, would cost less than the "Canadian".

Mr. REID: The equipment presently on the market is all designed for short-haul traffic, the intercity traffic, which would take about three hours. It is not designed for transcontinental work.

Mr. WRIGHT: Not necessarily. My understanding is that the shaft turbine engine would make three trips a day between Montreal and Toronto, and there is a very short turn-around time allowed. If you add up the mileage—

Mr. REID: Yes, the turn-around time is almost nil.

Mr. WRIGHT: Quite. However, the aggregate of those three trips between Montreal and Toronto amounts to quite a lot of mileage.

Mr. REID: Yes, but the trains as presently constituted do not have facilities for transcontinental services, and indeed they say there is some difficulty in that the equipment as presently designed would not be capable of taking the pounding over the rather rough transcontinental rails.

Mr. WRIGHT: Did Mr. Crump elaborate on that?

Mr. REID: No, this is just from some news clippings. I do not have them with me unfortunately, but I have them in my files in the office.

The Canadian Pacific Railway has complained that the passenger deficit they are carrying both on the "Canadian" and the "Dominion" operations amounts to a subsidy paid by the freight shippers on the rail operations as a whole, and that this consequently is a drag on their whole transportation system.

Mr. WRIGHT: Yes.

Mr. REID: May I have your comments on that?

Mr. WRIGHT: I am delighted that the question has been put. At the outset may I refer you to a study that was made recently by Professor Berge, who is Professor of Transportation at Northwestern University School of Business. I have enough copies of this for it to be distributed to the members of the committee.

Professor Berge deals with the whole subject that we are discussing. He goes into it, and in part he says the separation rules—that is the separation as between passenger and freight—have no purpose other than use in the development of purely statistical information since this purely statistical information has resulted in misuse and misunderstanding of the passenger deficit, and he quotes it.

Mr. OLSON: On a point of order, Mr. Chairman, I think Mr. Wright said he had enough copies for the paper to be distributed. May we have the copies?

Mr. REID: Perhaps, Mr. Chairman, we might arrange to have this printed as an appendix.

The ACTING CHAIRMAN (*Mr. Deachman*): Until I have an opportunity to look at it and think about it, may we leave that matter over? May we leave it over until after the luncheon adjournment and take it up again then?

Mr. WRIGHT: Just to deal with the matter very briefly, Professor Berge quotes in this document as follows:

The term "passenger deficit" as used in this connection appears to the public and others not acquainted with the rules under which the expenses are assigned, as a total loss from operation of the passenger train service. Nothing could be so wrong because its true meaning is that of a statistical fantasia.

Mr. OLSON: Mr. Chairman, on a point of order, you did not object to the distribution of the copies to members but rather to having it added to our proceedings as an appendix. Am I right?

The ACTING CHAIRMAN (*Mr. Deachman*): No, I suggested that we should leave the question of making it an appendix until after the luncheon adjournment. Let us have the copies distributed now.

Mr. WRIGHT: May I deal with this very important subject?

I merely wish to say at the outset that when you talk about variable costs you are not talking about costs at all. These variable costs do not represent deficits incurred by the Canadian Pacific Railway; they are only a technique for gathering statistical information.

There are very few people who can profess to have the expertise to have a complete or thorough understanding of what is meant by regression analysis and something called "the least square method" or "variable costs". I was interested to note that Mr. Donald Gordon himself, when he appeared before the Standing Committee on Railways, Canals and Telegraph Lines, admitted quite frankly that he also did not understand what was meant by this term. I will not read his statement in full but will merely refer you to the proceedings of the Standing Committee on Railways, Canals and Telegraph Lines held on Thursday, June 18 and Friday, June 19, 1964. At pages 247 and 248 Mr. Donald Gordon was asked what this meant, and he admitted frankly that he personally did not understand it. He said he was relying upon the opinions of his experts. One need not have any particular sense of temerity, therefore, in approaching what appears to be an insoluble subject.

You have before you a paper prepared by Professor Berge. May I refer you to certain aspects of it?

The ACTING CHAIRMAN (*Mr. Deachman*): If the witness will pardon me for a moment, I would like to draw to the attention of the committee the fact that we are now coming near to one o'clock and we are beginning to turn to an examination of the paper that is now in front of us. I wonder whether this would be an appropriate moment to adjourn the questioning of the witness until this afternoon, when we can approach freshly the matter at hand.

The committee has permission to sit while the House is sitting, so we will meet this afternoon after Orders of the Day, at around 3.30.

I have on my list the following members who have indicated that they wish to ask questions: Mr. Ormiston, Mr. Tolmie, Mr. Olson, Mr. Southam, Mr. Sherman. I have them on my list in that order. Mr. Orlikow has just indicated to me that he wishes to ask questions, and he will be followed by Mr. Fawcett and then by Mr. Andras.

The committee will adjourn now and meet again after lunch, at which time we will discuss the paper by Professor Berge on the subject of transportation which, although it concerns the United States, is perhaps germane to the committee's proceedings. I will not rule at this moment whether or not it will be included in the proceedings as an appendix. Your chairman, who will return this afternoon, will deal with that.

Mr. ANDRAS: Do you visualize an evening sitting?

The ACTING CHAIRMAN (*Mr. Deachman*): There could well be an evening sitting. We will see how we make progress this afternoon.

● (3:40 p.m.)

AFTERNOON SITTING

THURSDAY March 17, 1966.

The VICE-CHAIRMAN: We have a quorum so we can proceed. First, I would like to ask the Acting Chairman of this morning, Mr. Deachman, to say a word about the report that was circulated.

Mr. DEACHMAN: While I was in the chair this morning the witness asked permission to distribute a study paper by Mr. Stanley Berge, which I have here. Since the distribution of this paper, a couple of points have arisen.

The suggestion was made that this report be printed in the minutes of today's proceedings, although this was not put in the form of a motion. At the time I suggested that we could deal further with this matter after lunch.

Now, I gave this some thought during the lunch hour and I suggest to the Chair that we need a motion and the unanimous consent of the committee before we can accept this as a study paper. We all have been supplied with a copy of this report.

In connection with the question of printing, I would suggest that as this is a study paper by an American professor concerning United States railroads it really could be taken as an exhibit supporting the brief of the witnesses who were here this morning, but it need not be considered as part of the record which will be published. I think, as we have it now, it would serve our purpose, without publishing it.

The VICE-CHAIRMAN: Is everyone in agreement? If so, could I have a motion.

Mr. DEACHMAN: Under the circumstances, Mr. Chairman, I think all we need is unanimous consent to distribute the paper, and that is all there is to it.

The VICE-CHAIRMAN: Is that agreed?

Mr. MCINTOSH: Well, Mr. Chairman, the paper already has been circulated.

Mr. CARTER: Mr. Chairman, I would be inclined to disagree with what has been said. If this is made an exhibit to the brief of the witnesses then we will be studying the contents of it. And, if we are given the opportunity of studying this report, then others who may appear before this committee in the future should have a similar opportunity.

I think, Mr. Chairman, that all the information that is available should be produced so that when people who want to check this in later years come along they will be able to refer to it and thereby better understand the basis on which we put forward our recommendations.

Mr. ORLIKOW: Mr. Chairman, we certainly will be having an opportunity of examining the Canadian Pacific officials if they come back at some future date. And, if this is the case, some of us, who are somewhat sceptical of the position taken by the Canadian Pacific, undoubtedly will use a good deal of material which is contained in reports, such as the one we now have received, as a basis for putting questions.

I think it would be only fair to the officials of the Canadian Pacific and anyone else interested if these were printed as an appendix so that the record will be complete. In this way there will be no question of the basis of our information. I can see no reason for not attaching this as an appendix to today's proceedings.

The VICE-CHAIRMAN: Have you any comment, Mr. Olson?

Mr. OLSON: Mr. Chairman, I see no purpose at all in the motion. Surely it would be right for the organization which Mr. Wright represents to distribute any information they have to members of this committee without the necessity of passing a motion of acceptance.

I will support the argument advanced by Mr. Orlikow, that if other people do not have the opportunity of reading this report and later appear before the committee they will not know what we are talking about. In addition, Professor Stanley Berge is a well qualified and recognized, shall I say, authority on railroads and transportation matters, including costs. Therefore, the matter of including this report as an appendix to today's proceedings is certainly worthy of our fullest consideration.

The VICE-CHAIRMAN: Is it the wish of members of the committee to have this report entered as an appendix?

Mr. DEACHMAN: If it is the wish of other members of the committee to have it entered I have no objection, Mr. Chairman.

Mr. ORLIKOW: Mr. Chairman, I move that we have this report printed.

Mr. FAWCETT: I second the motion.

Motion agreed to.

The VICE-CHAIRMAN: The next speaker on my list is Mr. Ormiston. Would you proceed please Mr. Ormiston.

Mr. ORMISTON: Mr. Chairman, first of all I would like to make an observation to Mr. Kelly personally since he is most likely a member of one of the organizations which make up this group which has been referred to as C.R.L.E.A.

Mr. Kelly, I notice that the organizations which constitute the group have international affiliations; such being the case I would assume that they have communications back and forth. Since it is obvious that there have been many withdrawals and discontinuations of passenger service across the border, the organizations with which you are affiliated must have had some experience in trying to overcome such problems. Is your organization in a position to take any benefit or advice from those who have had previous experience along this line?

Mr. KELLY: Well, if you are talking about American experience, there seems to be a revolution in their thinking with regard to railroad passenger service in the United States, and the railroad unions are very interested in developing this thinking. There was a seminar held as recently as March 4 in Chicago, which Professor Berge attended, in order to deal with this matter. Some of the top people in transportation attended this conference to develop the question in the hope of solving the transportation problems of that country. We have benefited from their experiences. There have been situations in the United States where rails were ripped up and they now have found that with the saturation of highways it possibly was a mistake, and there is a lot of rethinking going on now in the United States along these lines.

Mr. ORMISTON: Well, it is pretty obvious then that the situation in Canada is not a unique one and that the Canadian Pacific is not alone with its problems.

Mr. KELLY: No. Perhaps it is unique to the extent that maybe we have not faced up to the problem as it is being faced up to in European countries, Japan and in the United States.

Mr. ORMISTON: Now, Mr. Wright, I would like to proceed with your brief and draw your attention to page 2, wherein it states:

At the very inception of the board's belated intervention into this matter,—

When you use the words "belated intervention" do you believe that the Board of Transport Commissioners could have taken action prior to his, that it had powers to do it and did not take action, or did not have the powers and should have been given such powers?

Mr. WRIGHT: The Board of Transport Commissioners has the power to intervene on its own initiative. Bear in mind that the Canadian Pacific started to downgrade the Dominion as far back as 1960, and there was nothing to prevent the Board of Transport Commissioners from intervening at any time between 1960 and 1965. But, what prejudiced the situation was the announcement by Canadian Pacific that they were going to discontinue for all time—in other words, they were going to discontinue, in its entirety—the Dominion.

The point I am making, when I say "belated intervention" is this. As I said in my brief, and as I say now, I am confident that if it had not been for the public outcry in western Canada the Dominion would have gone to its demise without any hearing by the Board of Transport Commissioners. There was no overt indication on their part to hold any public hearings.

Mr. ORMISTON: In the same paragraph you say: "until the board orders otherwise." Then, you go on to say:

Nevertheless, on September 7, 1965 (even before the board commenced its public hearings), C.P.R. removed all sleeping and eating facilities from "The Dominion".

Now, after the considered opinion of the Board of Transport Commissioners do you feel that the Canadian Pacific was rather in contempt of the board's order in doing this?

Mr. WRIGHT: That was my view, sir. I might say that I do not stand in splendid isolation on this particular subject; virtually every lawyer who appeared before the Board of Transport Commissioners in the course of its travels across Canada took the same position as I did. The only lawyer that disagreed was counsel for the Canadian Pacific and, of course, the Board of Transport Commissioners adopted the submission of the Canadian Pacific Counsel.

Mr. ORMISTON: Then, you say on page 4;

I am instructed that certain portion of "The Dominion" were discontinued within an hour or two of the promulgation of the board's decision . . .

Mr. WRIGHT: That is right.

Mr. ORMISTON: This would appear to be an action taken in a big hurry. Do you think that the Canadian Pacific probably knew what was going to happen prior to the decision being handed down?

Mr. WRIGHT: Let me answer your question this way, and I do not want to be abusive. I could not understand and I still am unable to understand how the Canadian Pacific could possibly have implemented the board's decision to discontinue the Dominion as quickly as they did. It seems to indicate a degree of efficiency which is hard to follow. I can only say that.

Mr. ORMISTON: You do not think there was any collusion then?

Mr. WRIGHT: I do not know. I am giving you the facts and I am asking you to draw such inferences as you consider to be desirable or advisable.

Mr. ORMISTON: Then, at page 5—

Mr. WRIGHT: If I might interrupt, I would like to elaborate on the answer I just gave. My instructions are that within one or two hours after the board announced its decision the Dominion, which was due to leave Vancouver, was stopped. It is rather difficult for me to understand how all this machinery could have been put into motion so quickly.

Mr. ORMISTON: Then, at page 5 it says:

Apparently the board did not consider it its duty to inquire into the nature of Canada's train passenger requirements in the future.

And, you continue on in that theme. Is it your opinion Mr. Wright, that the Board of Transport Commissioners—and, I think you used the word “delinquent”—were delinquent in their obligation to the public?

Mr. WRIGHT: Well, whether there was delinquency on the part of the Board of Transport Commissioners is something, I suggest to you, which this committee might deal with in its report to the House. But, the net effect of that decision, in my respectful submission, was that the public interest was not advanced and not protected. May I take a moment to elaborate on this. During the course of the hearings I cross-examined the general traffic passenger manager of the Canadian Pacific on what research had been undertaken by the Canadian Pacific in order to determine what the market potential was in respect of passenger traffic. For instance: did they know what proportion of passengers travelled on business; what proportion travelled for pleasure, and what the proportion was males, females and children. The consistent answer was: “No, we do not know any of those things”. I can only tell you, gentlemen, there appeared to be a complete absence of research from the standpoint of anyone who was out to try to sell his product. And, I drew the inference from that—and I am asking you to draw the same inference—that Canadian Pacific simply is not the least bit interested in promoting its passenger potential, and it is for that reason it did not bother engaging in any research.

Mr. ORMISTON: On page 21 you have drawn several conclusions, and at the end of the paragraph you say:

The men of action of the C.P.R. have now become men of apathy and slothfulness.

In that connection, Mr. Wright, I must disagree wholeheartedly with you. Just because the Canadian Pacific puts forward profit motives that is not to say that it has not been pretty astute in many of the actions they have taken, astute in every sense of the term including in a financial way. I think it is rather misleading to accuse them of apathy and slothfulness. I do not think that is the right description to apply to those officials. I think you are being a little bit hard or perhaps a little careless in the use of these terms. But, as I say, you may be doing this for some reason, which is not too obvious to me.

Mr. WRIGHT: Well, sir, I am simply looking at the two railroads, the Canadian Pacific on the one hand and the Canadian National Railways on the other. We see Canadian National Railways moving on all fronts and making

every effort to develop their passenger business. But, what do we see from the standpoint of the Canadian Pacific? They are making every attempt to get out of passenger traffic. Now, I am not unaware of the fact that when the representatives of the Canadian Pacific appeared before your committee they told you they had no intention of getting out of the passenger business. I simply find it hard to accept that statement when they, of their own volition, step out of the passenger business in the highest density area of Canada, between Montreal and Toronto. And, if they are not interested in promoting traffic in a profit sector such as that I cannot see them going out of their way to promote passenger business in an unprofitable sector. To the extent that is the case I say they are men of apathy and slothfulness. Whether or not you agree with me, I cannot do anything more about it.

Mr. ORMISTON: I cannot agree to accept your statements on page 23, in the question and answer period, where reference was made to the overcrowded Canadian. When we had the Canadian Pacific officials here I do not think any time they admitted that the Canadian was overcrowded; they said during the summer time they had possibly 80 per cent occupancy, which actually, comes close to 100 per cent, and in the winter season 60 per cent, which surely cannot be classed as overcrowded.

Mr. WRIGHT: Well, Mr. Brown did testify as one of my witnesses, and said that in late October, 1965, which presumably would be in the same part of the season, he had received telegrams and letters of protest from waiters from all over the country, who said they were working from 7 a.m. until midnight and were unable to cope with the situation. I suppose it all depends through whose spectacles you are looking at it.

Mr. ORMISTON: But, we have to hear both sides of the story.

Mr. WRIGHT: Right.

Mr. ORMISTON: I would draw your attention now to page 26 at the bottom of the first paragraph:

If the latter course is the one which must be followed, then Canada should demand forthwith an accounting from Canadian Pacific and should obtain the return to the people of Canada not only of the moneys which have been paid to the C.P.R. under the contract but also the return of the land grants and the natural resources therein which have so enriched the C.P.R.

With due respect, Mr. Wright, I think this is a little unrealistic. I do not think it is possible to give land or natural resources back. Did you mean they should be paid in kind or that there should be a certain financial involvement here. Would you care to explain that?

Mr. WRIGHT: I say when two parties enter into a contract and there has been a breach of that contract by one of the parties the other has the right to seek a remedy or redress in the courts. The courts have the right to award damages, as it were. In this case I say there has been a violation of the contract. I am not looking for any particular lawsuit but just looking for a solution so that we can have a careful study of the entire problem. But, I do say this—and I do not say it in the sense that I am shouting from the rooftop—with all seriousness, that if the net result of what has been happening in the past five or

six years should continue into the future, then your children and my children, or our grandchildren, will look at each other some day and probably look at their government of that day, which will look back at them, and say: "We have been taken", because the Canadian Pacific will have wound up with all the assets under the contract, and what will we have had in return? I say that unless the Canadian Pacific is going to live up to its part of its obligations we have a right to demand an accounting. In these circumstances I think it is quite proper to say: "Return those assets we gave to you unless you are going to live up to the contract". But, you cannot have it both ways.

Mr. ORMISTON: Thank you for your explanations. I will pass for now.

Mr. TOLMIE: Mr. Chairman, I would like to make a general observation. I feel that the crux of this entire problem is the fact that it has been demonstrated, at least to my satisfaction to date, that railway passenger service does not pay. Therefore, the Canadian Pacific, in effect, states: "You cannot expect us, as a private company, to carry on business at a loss." Now, the people of Canada can say: "Well, yes, you can because when you originally signed this contract you received enormous concessions, and you are expected to provide efficient rail passenger service regardless of profit".

When Mr. Sinclair was here I questioned him along these lines. I stated, in my opinion, the question of the interpretation of the original contract of 1880 and, in particular, the covenant, to forever efficiently maintain, work and run the Canadian Pacific, was the most relevant factor in the whole discussion. To my mind, after sitting in this committee for the time I have, it would seem to me that the basic problem is the interpretation of this contract. To date the Canadian Pacific have interpreted the contract as simply meaning that they are under no compulsion to provide railway passenger service which was not profitable. Mr. Sinclair said that various commissions, including the MacPherson Commission, always have held that the Canadian Pacific was under no restraint to run passenger traffic at a loss. That has been the position taken. So, I suggested to him that basically this is a contract, that it is a contract like any other personal contract, although it is a little different in the sense it is between the government and a company. But, basically, it is a contractual obligation. I said to Mr. Sinclair that if this is so why should not this contract be brought before a court for interpretation. His answer, as I recall it at the time, was that no one has brought it there. That is the way it was left.

Now, at page 25 you state:

We submit that the Government of Canada should enforce the covenant which was given to it by the C.P.R. under the 1880 contract. We contend that both parties to the contract must declare their positions. The C.P.R. has already indicated its position, namely, that it does not intend to perform the covenant given to it by Canada under the 1880 contract. It now remains for the government to declare its position as to whether or not it is going to enforce this covenant against C.P.R. We take the position that it is incumbent upon the government either to enforce the contract or to release C.P.R. from the contract.

I think we are getting very close to the problem, but what bothers me is that it would appear from your brief that you already have prejudged that they have, in fact, broken the contract and you want a remedy.

Would it not be proper, Mr. Wright, to have the government or some government agency bring an action in respect of the contract before a competent court. Along these lines, I would like to have your opinion on three or four factors involved if this ever should come to pass. I would be interested in finding out, sir, what type of action, in your opinion, you think there should be. I am talking strictly about a legal action to interpret this contract especially in regard to the words "efficiently", and "forever", and I would like a specific interpretation of an ordinary contractual obligation. Furthermore, if such an action was taken, what evidence should be adduced?

Now, if the judge found against the company, that it had not lived up to its obligations, what remedies do you think should be brought to bear against the company? Then, take the situation where the judge found that according to his interpretation the Canadian Pacific had complied with all the obligations? Where does that leave the Canadian people in regard to the Canadian Pacific's role in passenger service? I know I have posed quite a number of questions. What I am trying to say is that I still think basically we have to get a proper interpretation of the actual contract; this is of tremendous importance. I do not know whether or not it would be fair and proper for one judge to handle such a tremendous responsibility, but it is the only way we will get any solution to a problem which goes back 20 years.

Mr. WRIGHT: Well, Mr. Tolmie, I will not even pretend to answer all the questions you put to me because quite a few are very difficult and important questions for one to answer without giving really careful thought to them. But, I would say, without tying myself down as to the forum before which such proceedings would be brought, that an action for specific performance ought to be brought against the Canadian Pacific, and I think this would put the question properly before the courts. Whoever would be suing—and, it would be the Government of Canada as well as the signatories to the contract—would say: "You have not performed your contract", and we would sue for specific performance. In fact, this is the position that was taken by a well known lawyer in Calgary when he put his submission before the Board of Transport Commissioners.

But, in respect of your first comment, if I may answer you—and I would like to answer you as fully as I possibly can—I think we have been skirting the issue on this subject. You said you are satisfied that railway passenger service does not pay.

Mr. TOLMIE: I said that the evidence adduced to date would indicate that.

Mr. WRIGHT: Yes. Now this, I think, is the first question, not necessarily in ascending or descending order of importance, that ought to be investigated by you and by the members of your committee.

What you have before you are certain variable costs that have been given to you by Canadian Pacific, and I would like to deal with those. This might take me as long as five minutes but I think it is an extremely important matter. If you look at the evidence of the Canadian Pacific in volume No. 1, page 48, you will note for the year 1960 under the heading of "Passenger Revenue, C.P.R." it states that their passenger revenue for that year was \$30.5 million. I look at page 52 and I see that for the same year under the heading "Passenger Train Service, Deficit" revenues were \$54.9 million. Both figures cannot possibly be correct, nor can both figures relate to the same subject matter.

I believe that the explanation is that the second figure includes revenues not only from passenger service but from head-end traffic as well. At least, this is the assumption I make. If it is important,—and I think without this we are going to miss the point—these variable costs are not losses, actual deficits, incurred by Canadian Pacific; it is nothing more than a statistical figure—and I wish to direct myself to that for a few moments, if I may. You have before you this article by Professor Berge and I am going to read only a few portions of it and then invite your attention to the article in its entirety. At page 5 Professor Berge, under the heading of “Measurement of Marginal or Avoidable Costs”—and this is precisely, Mr. Tolmie, what the Canadian Pacific talks about, avoidable costs—states:

On the basis of the foregoing, it may be postulated that the profitability of passenger service to any railroad whose principal business is carrying freight is best measured by the extent to which the revenues added by passenger service exceed the expenses which could be avoided by its elimination.

The problem, therefore, is not to compare passenger train service revenues with fully distributed costs, nor even with long run variable costs, but instead with short run variable directly assignable costs calculated as accurately as possible on a year to year basis.

To this end, it is essential that the railroads employ various procedures for the collection, classification and analysis of data concerning specific revenues received and disbursements made in the operation of their business.

You will notice he is being specific:

For nearly a century efforts have been made to separate the revenues (a fairly simple matter) and the costs (more difficult) between freight and passenger train services.

Now, will you turn to page 9, where he states his objections to arbitrary apportionments in the cost separation rules:

It should be understood that objections to the commission's rules have always been primarily concerned with the arbitrary apportionment of the so-called “common expenses”, such as maintenance of way and structures, which cannot be directly traced either to passenger service or to freight service. Joseph B. Eastman, Federal Co-Ordinator of Transportation, writing his Conclusions on Passenger Traffic in June, 1936 (p. 21) states that the railroads in their report to the co-ordinator had questioned the accuracy of cost breakdowns by classes of service because arbitrary is piled upon arbitrary. The railroads had further informed him that “if passenger service were discontinued, a large portion of the cost assigned to it on this theory would remain and become part of the freight service cost.”

Critics of the separation rules do not ordinarily oppose the first step called for in the procedure, namely, the direct assignment of expenses which are clearly traceable to either freight or passenger service. Such directly assigned costs have been characterized as “matters of fact”, and the apportionments of common costs as “matters of opinion.”

• (4:15 p.m.)

I am putting it to you respectfully, sir, that all the cues the members of the committee have been getting from the C.P.R. are not on matters of fact in terms of the cost; you have been getting nothing more than matters of opinion. I continue:

Economist John Maurice Clark in his *Studies in the Economics of Overhead Costs* (1923), page 14, expressed concern over the apportionment of costs which cannot be directly traced to given units of products as offering "great opportunities for the development of arbitrary and fictitious notion of cost . . . And, of course, the critical point is, after all, what the management does with the figures after it gets them.

Would you now turn to the bottom of page 10 where it is said:

In a public address November 18, 1954, Chairman Richard F. Mitchell of the Interstate Commerce Commission said, "Frankly, I do not agree with our figures.

Please bear with me and look at the swing in the interpretation of the figures.

I think we have overstated the deficit to some extent, so I have cut it \$200 million . . ."

That is a pretty arbitrary figure.

By June 1955, in another address to members of the Accounting Division of the Association of American Railroads he suggested that "the formula should be changed" and said that he was ready to cut another \$100 million from the railroad passenger service deficit as determined by the Commission's separation rules.

Would you now turn to page 12. I am trying to invite your attention to what I think are the highlights of this report.

Recalling that the I.C.C. separation procedure was originally adopted from State regulatory commission procedures in the 1870's, it is interesting to note the disaffection shown toward the present I.C.C. separation rules by the National Association of Railroad and Utilities Commissioners in its reply to "Rules" investigation.

Here is what they said:

The Separation Rules . . . have no purpose other than use in the development of purely statistical information.

I put it to you as seriously, as I possibly can, that these variable costs that you have been told about are nothing more than matters of opinion and matters of statistical information; they do not represent losses.

Since this purely statistical information has resulted in such misuse and misunderstanding of the "Passenger Deficit," it would be appropriate for the Commission in this proceeding to reconsider the justification for such Separation Rules and the need for their continuation.

The term "Passenger Deficit" as use in this connection appears to the public and others not acquainted with the rules under which the expenses are assigned, as a total loss from operation of the passenger train service. Nothing could be so wrong because its true meaning is that of a statistical fantasia.

I wonder if you will now turn to page 15. It is written there:

Overstatement of Passenger Service Losses.

It is curious that in its "Notes" appended to the January 1, 1953, issue of the separation rules the Commission makes a special effort to prevent misunderstanding with respect to the results obtained from their application:

Inasmuch as the amounts assigned and/or apportioned to the freight and passenger services, respectively, are based on the performance of both services, the operating expenses, taxes, equipment and joint facility rents assigned and/or apportioned to either service may not represent the amounts that could be eliminated if either service were discontinued.

Please notice that those words are underlined. I did not underline them; Professor Berge underlined them.

In other words, the Commission admits that passenger deficits resulting from the use of the separation rules may not represent real losses, such as could be avoided by eliminating the passenger services.

One must not make the error of assuming that a "deficit" is a "loss"!

This, Madam and gentlemen, is precisely what I am urging upon you. I am urging upon you not to make the error of assuming that the variable costs you have been told about are losses.

The problem is that too many persons do not understand the Commission's subtle distinction between deficits and losses. They are easily deluded by such phantom deficits, particularly when the Commission's own Bureau of Transport Economics and Statistics annually publishes such tabulations as the one below.

I am not going to read the tabulation but it is there for you to read.

It is difficult to see how those unacquainted with the separation rules could avoid getting the impression that passenger services are seriously reducing the profitability of railroad operations. How can the uninitiated know that the passenger deficits are not real but mere "statistical fantasia"? Will they understand that complete elimination of passenger service could not possibly have increased the total net railway operating income in 1963 from \$806 million to \$1,203 million? The possibility of very misleading impressions is obvious. Is it any wonder that a popular financial periodical published a tabulation similar to the one above in an article entitled, "Dragging Brake—Passenger Train Operations Pile Up Still More Red Ink."

I would like to read one more paragraph, and then I will end my quotations.

Not all were fooled, however, *Fortune*, in its June issue 1965 discussed the passenger service housecleaning efforts of the New York Central and Pennsylvania in recent years. Both railroads have been eliminating their most unprofitable runs and *Fortune* concludes that, "If only costs directly attributable to passenger trains are reckoned, almost surely the Central and possibly the Pennsy are more than breaking even

on passengers." In direct reference to the results published by the I.C.C. Bureau of Transport Economics and Statistics for 1964, *Fortune* said, "The deficit figures (\$35 million for the Pennsylvania and \$14 million for the Central) are not realistic, because the companies would be incurring much of the overhead now allocated to passenger trains if those trains were abolished." This was almost identical with the conclusion reached by Vice President W. W. Patchell of the Pennsylvania Railroads in June 1955 that "we cannot even consider the possibility of 'going out of the passenger business' because we would lose more than we would save".

I wonder if you would now turn to the bottom of page 20.

Suggestions for Modification of the Rules.

Accounting and statistics in transportation, as in any other business, are not ends in themselves but should be useful tools for the making of sound business decisions and public policies. The U.S. railroad industry, long subject to public regulation, is one of the busiest collectors and recorders of statistical and accounting data under the sun. But neither the management of the railroad industry nor the government can afford to be tolerant with the accumulation of information which is of doubtful usefulness and is known to be misleading. This is not only wasteful but can very easily lead to unwise managerial and governmental decisions.

Finally, would you be good enough to turn to the last paragraph of page 24.

With railroad managements, governmental agencies and others clearly needing more accurate information on both the costs and revenues of railroad suburban passenger services, it should be fairly obvious that improved accounting and statistical controls would be of great and far reaching benefit to all concerned—management, labour, government, and most of all the public. Good private and public policies can only be made on the basis of good up-to-date information relevant to the decisions which must be made.

Mr. TOLMIE: Mr. Chairman, I am almost afraid to ask another question. What you said, through Professor Berge, is that you do not believe that the evidence introduced by the C.P.R. in relation to variable costs is correct, and therefore their conclusion that they are running at a loss is open to question.

Mr. WRIGHT: That is right.

Mr. TOLMIE: The thought comes to my mind that, of course, if they are not running at a loss why would they want to give it up? However, that is just an observation.

Mr. WRIGHT: Possibly they might be able to make more money by investing it some place else.

Mr. TOLMIE: This does bother me a little bit. Did you appear before the Board when the application came before it?

Mr. WRIGHT: Yes, during the Ottawa hearings.

Mr. TOLMIE: Were these different facts and different evidence brought forth before the Board at the time in the same manner as you are bringing them before us now, or in some such manner?

Mr. WRIGHT: I did not have the material then that I do now. It was only published a few weeks ago. I must admit to you quite frankly that the subject matter of these variable costs was a bewildering one to me, as I suspect it must be to most people in the committee, and indeed one of the counsel who appeared before the Board said he had been working at this for five or six years and still does not understand it.

Mr. TOLMIE: Perhaps that is why we on the committee are bewildered.

Mr. Wright, what I still cannot quite see is this question of the elimination of the Dominion was before the Board for a long time and naturally all possible evidence was brought forth, and counsel had an opportunity to examine the question. The question of variable costs was discussed at some length and the Board still held that The Dominion should be eliminated. In effect, what you wish the committee, or perhaps the cabinet to do, is to review in essence the findings of the Board.

Mr. WRIGHT: I say it is quite conceivable that the Board of Transport Commissioners has fallen into a conformist attitude of consistent error. It is just possible that they decided to accept this yardstick. They are really only human beings, and I say they are under a very severe misconception. Bear in mind, sir, that the provinces of Manitoba, Saskatchewan and Alberta take sharp issue with the standards accepted by the Board of Transport Commissioners on the subject of variable costs. All that I am asking is that you make every effort to obtain independent advice from some person or some firm that is in a position to approach this matter with some sense of independent integrity so that you might be governed by their opinions, or whatever persuasive effect you may get out of it.

Mr. TOLMIE: I have one simple last question which could be answered very briefly. I mentioned the question of a possible legal action in regard to the original contract. We have got away from that but that was my main point. I assume, from what you have said so far, that you would not object to the fact that there might be a possible action, but I am still interested in knowing what type of judge or commission, in your opinion, would be qualified or should be established in order to hear an action of this magnitude.

Mr. WRIGHT: I am not trying to be evasive. The best answer I can give to you at the moment is that I do not know; I simply have not directed my thinking to whether it should be considered in the Exchequer Court or any other court of the land.

Mr. TOLMIE: Do you think it is feasible, and do you think it is something that could and should happen?

Mr. WRIGHT: I think it is something that might happen. This is one of the things that might be taken into account. I see two facets to the problem: firstly, the question of the legal interpretation of what the contract means and what are the obligations of the signatories to the contract; secondly, whether these losses that are alleged by the C.P.R. are in fact as high as they claim they are, because I do believe that it enters into the question of efficiency, postulating it on the same premise as the C.P.R.

Mr. TOLMIE: Do you think this is a possibility? I understand that the present time you are not in a position to indicate what type of forum you prefer.

Mr. WRIGHT: That is right, sir.

The VICE-CHAIRMAN (*Mr. Deachman*): May I remind the members of the committee to be as brief as possible in their questioning, and that goes for everybody?

Mr. OLSON: I think we should continue with this matter of costing. I would like to ask Mr. Wright whether he knows whether or not the C.P.R. used the same costing methods for other purposes in the company?

Mr. WRIGHT: I could not tell you.

Mr. OLSON: For example, do you know whether they use these kinds of costing methods when they file their corporation income tax statement, for example?

Mr. WRIGHT: May I answer, in complete ignorance, that I would eat my shirt if they did.

Mr. OLSON: Do you know whether or not the Department of National Revenue accept, for example, cost of money as a legitimate expense?

Mr. WRIGHT: I doubt it very much. I can only tell you, from my own personal experience in the practice of law involving tax cases, that no taxpayer could ever get away with anything like that with the Department of National Revenue. They are interested in actual dollar losses.

Mr. OLSON: Then cost of money is not an expense at all?

Mr. WRIGHT: Certainly not.

Mr. OLSON: I would like to ask you another question. I realize you may not be familiar with it or you may not wish to answer it. If the C.P.R. had applied these cost co-efficients produced by the regression analyses to all of their trains, would the total exceed the total of the actual costs that they have now?

Mr. WRIGHT: I am not qualified to answer this.

Mr. OLSON: I wonder if you considered, because I have, that the sum total of all these parts, arrived at by using the regression analysis to determine the variable costs for all the trains, adding all the trains together, is substantially more than the actual total cost? I would not like to ask you this unless you have considered it.

Mr. WRIGHT: I have thought about it. I would simply assume they would exceed.

Mr. OLSON: Do you know of any Canadian person or any Canadian firm that has done a detailed examination of, first of all, this method of costing generally, and specifically of the variable costs that have been put forward by the C.P.R.?

Mr. WRIGHT: I have never heard of it.

Mr. OLSON: Do you know any other firm that has gone deeply into an analysis type of costing?

Mr. WRIGHT: Not to my knowledge. This is the first time I have ever heard of this.

Mr. OLSON: Did you attend the hearings of the MacPherson Royal Commission when they discussed the matter of the Crowsnest rates?

Mr. WRIGHT: I did not, sir.

Mr. OLSON: I think you have attempted to show that an examination of these costs is one of the most important functions of this committee.

Mr. WRIGHT: I hope I have succeeded in that respect.

Mr. OLSON: At least you have tried to convey that impression. Could you then suggest any individual or any firm in Canada who has had some experience in this?

Mr. WRIGHT: There were some individuals who did specialize in writing for the MacPherson Commission. I would prefer, Mr. Olson, not to mention their names on the record.

Mr. OLSON: I thought perhaps you could help the committee, if you looked into this and knew of people who have done this, because I presume you would be interested in this on behalf of the membership you represent.

Mr. WRIGHT: A number of articles were written which constitute part of the MacPherson Report in volume three. Obviously the people who are in this field are going to be very few and very far between. Most of them are bound to support the position of the C.P.R. in this particular case. They were hired to testify, to give evidence. I do know that a firm of consultants was retained by the Provinces of Alberta and Manitoba; that it was a U.S. firm and that they gave evidence before the MacPherson Commission. There is also a well-known Montreal consultant who wrote one of the articles which forms volume three of the MacPherson Report.

Mr. OLSON: I do not think I will pursue this matter any further.

On page 35 of your brief you say:

The C.P.R. should be directed to resume the operation of "The Dominion" as a properly equipped transcontinental passenger train.

I wonder if you could tell us, very briefly, what you regard as "a properly equipped transcontinental passenger train"?

Mr. WRIGHT: I consider a properly equipped transcontinental passenger train to be one which gives reasonably decent comfort to its passengers travelling over a long distance, and also provides sleeping and eating facilities.

Mr. OLSON: But not necessarily 16 cars?

Mr. WRIGHT: No.

Mr. OLSON: As long as there were some eating facilities and sleeping accommodation you consider that would be sufficient?

Mr. WRIGHT: That is right.

Mr. OLSON: This should be adjusted depending upon the demand for service during the different seasons.

Can the revenue that is shown for 1964 from this train be considered and accepted as the revenue available from a truly transcontinental train?

Mr. WRIGHT: Hardly, because the revenue, in so far as the Dominion in 1964 was concerned, was comprised of the Toonerville trolley I talked about, with the exception of two months in the year when they did have a proper consist. In other words, the passenger revenues are based upon a truncated and decimated Dominion.

Mr. OLSON: Could you be more specific about this? In your opinion would the revenue of some \$20,828,000 shown for 1964 be only for one-sixth of that year which would be available for a truly transcontinental train, and the revenue

for the other five-sixths should be shown for something other than the transcontinental train?

Mr. WRIGHT: That is right.

Mr. OLSON: Somewhere in your brief you suggested that the C.P.R. has deliberately downgraded the service starting in about 1960.

Mr. WRIGHT: That is right.

Mr. OLSON: Can you tell us how this affected the morale of the members of the organization you represent?

Mr. WRIGHT: I asked Mr. Kelly and Mr. Gibbons because they might possibly prefer to answer that question. They have authorized me to speak on it. The morale has never been as low as it has been in the last year or so. There is a feeling, on the part of the railway labour organization, that they are being trifled with. I repeat what I said this morning: We are not saying the Dominion should be continued only to accommodate the wishes of the employees, but when management changes plans and no consideration is given to the consequences in regard to the employees in terms of moving costs, then the morale is bound to be low. Suppose that by application of the seniority system a man has to move to another city in order to exercise his seniority? He would have to move at his own expense. There are also problems of dislocation, of a social as well as of an economic nature. I could really take an hour to answer your question but I will merely say this, that the morale has never been so low as it is today in so far as the railway labour is concerned.

Mr. OLSON: Do you attribute most of that decline in morale to the attitude, or what appears to be the attitude, of the senior management of the C.P.R.?

Mr. WRIGHT: Definitely. The feeling is that the C.P.R. is no longer the mighty transportation organization that it used to be, and that they are only interested in exploiting that part of the industry which will show immediate profit.

Mr. OLSON: Does this decline in the morale on the part of the employees adversely affect the attractiveness of the railway passenger service?

Mr. WRIGHT: I think we are dealing with human beings, and I would think that inevitably it must have that effect because disgruntled employees cannot be nearly as patronizing as contented ones.

Mr. OLSON: Mr. Wright, do the employees, and particularly the station employees and the clerks, feel that the present C.P.R. reservation system is adequate and effective?

Mr. WRIGHT: No. The feeling is very widespread that the reservation system is inadequate, to say the least. There are many aspects of the reservation system that give rise to considerable suspicion. I must admit to you, though, that I have been unable to obtain any direct evidence of this because the only source from which you could obtain evidence of that kind would be someone who is employed by the C.P.R., and I felt that I just could not go to that length.

Mr. OLSON: I am not asking you to name any individual employee but I would like to know whether or not some of the employees you are representing, who are directly involved in the mechanics of accepting and placing these reservations, have indicated to you that it is inadequate.

Mr. WRIGHT: Definitely yes.

Mr. OLSON: And have they suggested at any time to you—again without mentioning any names—that they have received directives from their superiors?

Mr. WRIGHT: No, there have not been any directives, but the feeling has been expressed to me by a number of railway employees that they could not understand why there should be so much difficulty in obtaining reservations on some of these trains, particularly when in many cases they leave quite empty. I have had employees telling me this. Please bear in mind that the employee would pick up the phone and call some central office and he would be told that there is no space available.

Mr. OLSON: Have any of the employees of your organization made any study, or made suggestions regarding how this reservation system should be improved?

Mr. WRIGHT: No, sir.

Mr. OLSON: I am almost finished. Do you know whether or not there are any records kept by the employees of the number of requests for space, such things as waiting lists or any other kind of records that could give indication of how many people have actually asked for service?

Mr. WRIGHT: I do not know; Mr. Barren of the C.P.R. did testify along those lines during the hearings in the west. I think he was taken through it rather extensively. All I can rely upon is what I read in the transcript.

Mr. OLSON: This is not a question but I would like to suggest to you that if we are going to get right to the heart of this reservation system business it would be useful to the members of this committee to have the considered opinions of some of the employees who are dealing with it on what the weaknesses are, and perhaps, because of their familiarity with it, some suggestions on what could be done to improve it because I do not know anywhere else where we can get this information. You have stated that it is inadequate and inefficient. Many of us feel that also, and yet we would like to be a little more sure of this because, of course, the C.P.R. officials have not, at least readily, admitted that it is lacking in anything.

Now, Mr. Wright, there was some suggestion by Mr. Tolmie, I believe, that you had an opportunity to examine all of these costs, or at least that an opportunity was provided for you, and anyone else who wanted to appear before the Board of Transport Commissioners, to challenge these variable costs of the C.P.R.

● (4:40 p.m.)

Do you feel you had sufficient time and opportunity to do a reasonably good job of challenging the Canadian Pacific Railway on these costs?

Mr. WRIGHT: Speaking personally, no, I do not. I do not say I was denied that opportunity. I say the hearings were called on rather short notice, and I imply came into the hearings on relatively short notice too. The subject is a highly technical one. One cannot possibly be an expert on all things—or if one says he is, he is probably a faker. Certainly I was unhappy about the manner in which this was done.

Mr. OLSON: Canadian Pacific Railway provided some kind of costs and revenues until September 27, which was the day they opened. Was that sufficient time for anyone to get ready for it?

Mr. WRIGHT: It was quite impossible.

Mr. OLSON: There is just one other matter. You were discussing the contract of 1880 and 1881 between the Government of Canada and the Canadian Pacific Railway. I think you suggested that the Canadian Pacific Railway was unilaterally withdrawing from their obligations, or did I misinterpret what you said?

Mr. WRIGHT: I did not put it in that way, but I would accept that.

Mr. OLSON: I think you say in your brief that you do not believe the Board of Transport Commissioners have the authority to deal with these terms of the contract.

Mr. WRIGHT: What I said in my brief was that the framework within which the Board of Transport Commissioners operate is too narrow and too confined to make a fullsome decision on this subject.

Mr. OLSON: Then would you say that the only way in which the terms of this contract could be changed would be with the consent of the parties?

Mr. WRIGHT: I would certainly say so.

Mr. OLSON: And in your opinion that is the Parliament of Canada?

Mr. WRIGHT: That is right, or the Government of Canada.

Mr. OLSON: Just a moment, Mr. Chairman. Did you say the Government of Canada?

Mr. WRIGHT: I would think so.

Mr. OLSON: Does the government have authority to change a statute?

Mr. WRIGHT: No. You said it would have to be done with the consent of both parties. You said the Canadian Pacific Railway and the Parliament of Canada, and I am saying it would probably be more accurately stated by saying the two parties would be the Canadian Pacific Railway and the Government of Canada rather than the Canadian Pacific Railway and the Parliament of Canada.

Mr. OLSON: Does not the contract say that the Canadian Pacific Railway shall efficiently maintain a railway service?

Mr. WRIGHT: Yes, but the statute authorizes the government to enter into a contract. In other words, the contracting party was the Government of Canada.

Mr. OLSON: Once the statute is passed does the government have the authority to withdraw from that statute?

Mr. WRIGHT: No, not without the consent of parliament.

The ACTING CHAIRMAN (Mr. Deachman): Mr. Southam.

Mr. SOUTHAM: I have been impressed over the last number of years, going back over former meetings relating to a diminution of services on the Canadian Pacific Railway, by the discontent expressed by many witnesses with respect to the cost accounting formula of the Canadian Pacific Railway when they make their presentations to the Board of Transport Commissioners.

You have emphasized this again quite forcibly today with the example you quoted this morning of a \$17 million deficit in rail handlings by the Canadian Pacific Railway against an independent figure of \$500,000 profit. I believe. Has this cost accounting technique—which has been referred to by Canadian Pacific Railway witnesses recently with particular reference to variable costs and regressive analysis and, I think, the least square method, or something like that—been developed since the MacPherson Commission report, or was this used when the representations were made to that Royal Commission?

Mr. WRIGHT: I would be the first to admit candidly that I am probably beyond my depth on this particular subject. I do not have the expertise by any stretch of the imagination to deal with it in depth, and I prefaced my remarks by not only admitting that but by emphasizing it.

Mr. SOUTHAM: May I ask whether the association you represent employs a group of experts so far as cost accounting is concerned to make analyses.

Mr. WRIGHT: No, sir; CRLEA is a relatively new organization which only came into being officially about six months ago, in April of 1965 to be precise. Their staff is very, very small.

Mr. SOUTHAM: This is one of the problems that worried me, and it has worried a good many other members. Mr. Olson has just referred to it, and other members have referred to it, and I think we will be talking in circles unless we can come to some agreement somewhere along the line on this formula. I would also be interested to know just what experts the Board of Transport Commissioners depend on in coming to an unprejudiced or unbiased decision. Could I be informed by any of the witnesses as to what rule of thumb they go by or whether they just have to take the Canadian Pacific Railway and the Canadian National Railway's figures.

Mr. WRIGHT: I could not tell you, sir. My own interest in the subject, quite frankly, has been only over a very short period. I am impressed, however, by the fact that enough people seem to be very sceptical about the validity of this regression analysis formula, the least square method, and there seem to be an awful lot of people who express very serious doubts about the validity of it. All I am hoping for is that this committee will decide of its own initiative to go into the matter very carefully and very deeply and to engage professional advice from people who are qualified to deal with this matter.

Mr. SOUTHAM: I have been impressed by the paper, which has been distributed and which is to be appended to our proceedings here today, by Stanley Berge, a professor of transportation, which was submitted to the Interstate Commerce Commission. I feel he has dealt with a lot of the problems and conundrums we have been discussing today. I was particularly interested in the reference on page 15 of this paper to "Overstatement of passenger service losses".

I would like to refer again, for the sake of the record, to one section here:

Inasmuch as the amounts assigned and/or apportioned to freight and passenger services, respectively are based on the performance of both services, the operating expenses, taxes, equipment and joint facility rents assigned and/or apportioned to either service may not represent the amounts that could be eliminated if either service were discontinued.

I think this emphasizes one of the chief arguments that we have had. In this problem of the elimination of the "Dominion" these cost accounting practices have been followed. I think before this is finally settled we as a committee should possibly bring in an expert cost accounting firm or group of some such body to analyse a lot of these figures that have been presented to us to see if they are in agreement with them.

Another thing which comes to my mind I will put in the form of a question to you, Mr. Wright, and this will be bringing the problem closer to

home. In areas where Canadian Pacific and Canadian National are in competitive positions rather than in a captive area position, would you say the Canadian Pacific will lose freight services to Canadian National should they withdraw from the passenger services in those competitive areas?

Mr. WRIGHT: I would think that would follow, yes. I do not profess to have all the answers here.

Mr. SOUTHAM: I am thinking of western Canada where I come from, and I am relating this problem back to the "Dominion". Canadian National pretty well contribute the complete service to the citizens in that area, and in other areas you find Canadian National and Canadian Pacific are running in competitive positions in proximity to each other, which tends to make it economically unfeasible for both of them. This is where we have these large numbers of applications for abandonment. I am thinking of these areas where the Canadian Pacific Railway might withdraw their passenger services. Do you think they might have a tendency to lose a certain amount of freight service? In other words, would a person feel a prejudice or a little miffed by the fact that he had been patronizing the Canadian Pacific all his life and then found they wanted to withdraw the passenger service? Would he then want to go across the way a few miles and give his business to the Canadian National Railways? I wonder if Canadian Pacific have taken that into consideration.

Mr. WRIGHT: I do not know. I think that question would be better directed to the Canadian Pacific Railway representatives.

I do think it is relevant to point out that the position taken by the Canadian Pacific Railway in terms of going after their freight business is a far cry from what they do with respect to passenger business. They are aggressive in going after freight business; it is profitable to them, and they do a lot of advertising. You can rely on the things you have run into as a man on the street; you can see their advertising; they are aggressive in their approach; but they can fairly stifle their corporate image as far as passenger services are concerned.

Mr. SOUTHAM: I think, Mr. Wright, you have presented a very informative brief. Along with Mr. Ormiston, I do not agree with all the conclusions at which you have arrived, but I think basically you have given us much food for thought.

Thank you, Mr. Chairman.

The ACTING CHAIRMAN (*Mr. Deachman*): Mr. Sherman.

Mr. SHERMAN: Mr. Chairman, Mr. Wright, gentlemen: you obviously feel, Mr. Wright, that the Canadian Pacific Railway, as part of our national bloodstream and one of our main national arteries and sinews of society and commerce, has great national responsibilities that exceed those that devolve upon the average ordinary commercial enterprise in Canada. I share that view, and I suggest it is perhaps not an unfair assessment of your appreciation of the Canadian Pacific Railway and its position in Canada.

You have obviously a feeling, sir, for the history of the country and the historical role that the Canadian Pacific Railway has played, and so I assume you are sensitive to the winds of change that have been blowing across this land for these 19 years. In terms of a contract such as the contract we are discussing between the Canadian government of 1830 and the Canadian Pacific Railway, I wonder if you as a Canadian feel you can adopt an intransigent

attitude, for example, to the contract of 1867 between the two founding races of this nation. I refer to that question specifically and to that contract specifically because I am trying to put this in an historical context and to differentiate if I can, for the sake of my own understanding on the historical level, between your two positions here, your sense of appreciation of the role in history that the Canadian Pacific Railway plays and the role in the Canadian evolution that the contract of 1880 plays, and the role that the contract of 1867 plays. I frankly feel that the two of them are important historical milestones in the development of Canada and, viewed just in the historical context, there is not all that much difference between the ideologies of the two. The two are part of Canadian history and they are designed to help to forge the Canadian nation. I think a great many of us in Canada today accept the fact that perhaps the contract signed or entered into in 1867 demands some revision and review as the decades in the century roll by, and I wonder if possibly you would not concede that the contract of 1880 demands some review and revision or at least some examination as the decades and centuries roll by.

Mr. WRIGHT: No, I do not, and I will tell you why I say that. I feel it is incumbent on the Canadian Pacific Railway to live up to its obligations thereafter to efficiently maintain and operate the Canadian Pacific Railway. Of course it would be absurd to say that every run in effect in 1880 should be continued, because they had none of these runs in 1880. It is obviously a fluctuating situation. However, underlying the situation between the Canadian Pacific Railway on the one hand and Canada on the other hand is a covenant for which consideration was given by Canada to the Canadian Pacific Railway; and underlying that situation is a covenant by the Canadian Pacific Railway to Canada to operate its railway efficiently. I say the forms the operation will take will alter as the years go by; alterations will be made. I am not taking an inflexible position on this, but it is not up to the Canadian Pacific Railway to arrogate to itself to make those changes unilaterally as the years go by, particularly when we are talking about transcontinental passenger services.

Mr. SHERMAN: I think it could perhaps be argued that the Canadian Pacific Railway did not arrogate the right to itself to take that action unilaterally. I think having submitted its case to the Board of Transport Commissioners and having the authority of the investigations of the MacPherson Royal Commission and the pronouncements of the Economic Council of Canada, and other such responsible bodies as that on which to base its case, that perhaps we may be putting the case too strongly if we suggest that the Canadian Pacific Railway has acted unilaterally in this respect. After all, the Board of Transport Commissioners is established by the institution of parliament and we repose responsibility in that Board for examining such submissions as that presented to it by the Canadian Pacific Railway with all the reason and wisdom and intelligence that the membership of that Board can bring to bear.

Mr. WRIGHT: May I comment on that, sir?

Mr. SHERMAN: Yes.

Mr. WRIGHT: The MacPherson Commission, basically, made this finding, as I understand it: they said that to the extent that passenger services result in losses, the burden should not be thrown upon the shippers, but that if public policy requires that passenger services should be retained from time to time—it is a fluctuating situation—then in the public interest the burden of financing this

should be borne by the public at large. This was the reasoning of the MacPherson Commission.

I see nothing in that theory which is at variance with the position that I am taking in terms of the contract. I say there is a basic obligation upon the Canadian Pacific Railway to operate efficiently; if public policy dictates that the Canadian Pacific Railway should continue to operate, then it becomes necessary first of all to determine what the public policy is, what is our rail transportation policy in the first place. If public policy dictates that it should be continued in whole or in part, and if the burden is not to be thrown upon the shippers or upon the freight part of the Canadian Pacific Railway's undertaking, then it ought to be underwritten by the public if public policy demands this.

In so far as the Board of Transport Commissioners is concerned, my argument with them is that they did not take most of the principal factors involved into account; they confined themselves to a very restrictive approach based upon one section of the Railway Act, and they did not take into account the wide gamut of the matters that are in the public interest. This is my quarrel with the Board of Transport Commissioners.

Mr. SHERMAN: I accept your right to state that position, but of course it is diametrically opposed to that presented by the Canadian Pacific Railway in its presentation to this committee, and I am impressed by the disparity between the Canadian Pacific Railway and the C.R.L.E.A. on almost every point being covered in this context. I would expect a certain disparity; that would be logical and reasonable and would be expected, of course. However, the disparity is so wide that one cannot help but be impressed by it. There are one or two points in that connection that I want to bring up in a moment, but first let me speak on the subject of the contract, Mr. Wright. I cannot subscribe to your suggestion and the suggestion of others—and you have modified your position during the course of the hearings today—that the people of western Canada should sue the Canadian Pacific Railway for breach of the contract of 1880. I am no lawyer, sir, but I would suggest that the people of western Canada—and I am one of them—would not have a leg to stand on in taking such a position. I fail to see where you can charge the Canadian Pacific Railway with failing to maintain, work and run a railway and thereafter and forever efficiently do so simply because they eliminate the "Dominion" passenger service. I suppose it depends on your interpretation of the term "Canadian Pacific Railway", but let us say the Canadian Pacific enterprise, that vast commercial complex that the Canadian Pacific Railway constitutes today, is something far different from and implies operations far exceeding those on the level merely of rail passenger operations.

Therefore I suggest that it could be argued that the contract has not been broken; that in order to be efficient, as the Canadian Pacific Railway says in its own submission to this committee, the company must adapt to changing demands of traffic. There can be no efficiency is continuing to operate passenger trains when no passengers remain at fares which meet the worth of the service; and to do so is a disservice to the public.

So we take diametrically opposite views on whether the contract has been broken or not.

I should identify myself to you as a western Canadian, and say that I am concerned, coming from Winnipeg, with the elimination of the "Dominion" and other transportation problems affecting my community, but I am trying to

accomplish some sort of middle ground between the totally divergent positions presented in these two briefs, the one from you, Mr. Wright, and the one submitted to us by the Canadian Pacific Railway a week or so ago. For example, you have made much of the fact that the service on the Canadian Pacific Railway's "Dominion" was downgraded before the facilities were reduced, and this is a very common feeling in western Canada. I do not know whether you were here last week when I put the suggestion to Mr. Sinclair and asked him which came first, the chicken or the egg, whether the service was downgraded first or the patronage fell off first and the service subsequently was reduced. He answered most emphatically—and the submission the Canadian Pacific Railway presented contains his answer in paragraph 32 on page 8 of the summary of their brief—that the suggestion that the company has deliberately downgraded its passenger trains to discourage passengers and eliminate the service is entirely without foundation. The brief goes on to say that fully equipped passenger trains have been continued in operation virtually unpatronized for long periods, and reduction in service had been made only when there was unmistakable proof that an effective demand had disappeared.

That is strong, emphatic language, Mr. Wright, and your brief contains strong, emphatic language. One of these positions must be somewhat less in accordance with the truth than the other. One of them must be right and one of them must be wrong. Mr. Sinclair in his denial of the suggestion that the downgrading of the service came first was absolutely unequivocal. I think you would have to agree it is obvious that one of those statements, either yours or his, is somewhat far removed from the truth.

Mr. WRIGHT: I agree with you, sir, but I take the position that Mr. Sinclair's position is a completely indefensible one. I will read just two sentences from Mr. Sinclair's statement to you when he appeared before you. I was here on the night when you asked the question about which came first, the chicken or the egg. I would like to ask the same question, but here is what Mr. Sinclair said about it at page 115 of the proceedings of your committee:

There was no question about it. As I say, the "Dominion" has not had an effective demand for the transcontinental consist service since 1960.

What happened in 1960 in determining which came first, the chicken or the egg? What happened in 1960? They reduced the transcontinental service they have on the "Dominion" from a properly equipped transcontinental passenger train to one in which you could neither get food nor sleeping accommodation. In the name of sanity, if you had an opportunity of choosing between these services, which would you choose? If you were to go from Montreal to Winnipeg on the "Dominion" you would go by sleeper from Montreal to Sudbury; you would get up at 6.55 a.m. and sit up in a coach from 6.55 a.m. until midnight when you reached Fort William. You would then get into a sleeper again until you reached Winnipeg. If by any chance you wanted to go to Vancouver, you would sit up all the way from Winnipeg to Vancouver. As for food, you would just take your chances on running off the train, making sure you got to the place quickly enough in the 10 or 15 minute stopover to get food and get back onto the train. And you ask which came first, the chicken or the egg.

I do not know which is the chicken and which is the egg, and I do not know who laid the egg or whether it was laid deliberately or not, but who in his right

mind would pay for this kind of service, particularly when contemporaneously with the reduction of their service they increased their rates? So you got this absurd kind of service on the Canadian Pacific Railway. You are a private entrepreneur and you would never run your business in that way, and I would not run my business in that way either. Contemporaneously with reducing their services in that way they increased their rates; and you ask which came first, the chicken or the egg.

You say in your opinion there has not been any violation of the 1880 contract. Please understand that I am not being disrespectful; I am just stating my views quite firmly. You say there has not been any breach of the 1880 contract. Suppose Canadian Pacific Railway were to announce tomorrow—

Mr. SHERMAN: I say for the sake of argument, Mr. Wright, that there has been no breach of the 1880 contract.

Mr. WRIGHT: All right.

For the sake of argument let us suppose that the Canadian Pacific Railway were to announce tomorrow that hauling of grain is no longer profitable and therefore Canadian Pacific Railway will not haul grain any more. I would say that was not an efficient operation of the railway, but if you accepted the proposition that they are entitled to withdraw their passenger service because it is unprofitable, you would certainly not be in a position to argue with the Canadian Pacific Railway if they withdrew their services from freight or from hauling of grain if that was the only reason. I simply say that cannot be the only criterion, and I say that the contract meant something. You can operate your business in any way you want because you are not getting any subsidy from the government nor are you getting any valuable natural resources; it is that situation that puts the Canadian Pacific Railway in an entirely different position.

Mr. SHERMAN: The contract indeed meant something, and I would hasten to assure that I was here this morning when you made the case and gave us the illustration about travelling from Montreal to Vancouver and sitting up without anything to eat most of the way; and I have heard this story before. This is the impression people in western Canada had about travel on the "Dominion" three, four and five years ago.

• (5:15 p.m.)

Mr. WRIGHT: If I might interrupt you, having said that do you consider this an efficient railway operation, or would you not admit the possibility that that type of absurd operation created a loss of their effective demand?

Mr. SHERMAN: Well, if I could have it proven to my satisfaction and if I could demonstrate to myself satisfactorily that this was the case, the unequivocal case, then I would agree with you. But, I have not been able to ascertain the precise truth of the matter so far. The positions which your organization and the Canadian Pacific have taken are so diametrically opposed and widely divergent that it has been impossible for me up until this point to determine the precise truth of the matter. If I could satisfy myself this was the case as it pertained to the Dominion every day, week in and week out, during the late 1950's—

Mr. WRIGHT: No; it started in 1960.

Mr. SHERMAN: —and, into the early 1960's.

Mr. WRIGHT: Well, you have the sworn evidence beginning at page 15 of my brief. This is an extract from the sworn testimony, and there just is not any question about it. If you are doubting the facts as I give them to you, well, I just cannot do anything more about it.

Mr. OLSON: Mr. Chairman, on a point of order, I think we had better separate facts from opinions. Mr. Wright, you are not suggesting this brief is all facts and no opinions? Surely it must contain your opinions, and the two are not necessarily synonymous.

Mr. WRIGHT: Yes, but what I am drawing your attention to is the sworn evidence at page 15 of the brief with regard to what the situation was on the Dominion, and there is not any room for argument here. There is simply no doubt about it that beginning in 1960—and the Canadian Pacific admitted this to the board—they withdrew substantially their sleeping and eating facilities across the country.

Mr. OLSON: I just wanted to avoid the problem of having someone suggest that what may have been put forward as an opinion is, in fact, a fact.

Mr. SHERMAN: No one doubts facts. We are examining arguments and positions on the basis of all the evidence that has been presented to us thus far, and I suggest in the Canadian Pacific submission, particularly at page 29 and following through the next two or three pages, they go to some length to articulate the board's support for their position and for their decision. I am merely trying to get at the most legitimate, valid, reasonable side of the argument.

On another point, Mr. Wright, you have expressed considerable anxiety over the effect that the cancellation of the Dominion may have had on various communities in Canada, and I may say that I am particularly concerned with smaller railway communities in western Canada. I raised this point in our examination of the Canadian Pacific officials last week.

In your submission, at page 7, near the top of the page, you say:

It is almost beyond comprehension to imagine that a decision to discontinue the "Dominion" could be made without giving any regard whatever to the social and economic impact upon the communities which are serviced by the "Dominion". Yet, this is precisely what the board did.

Then, you go on to quote the Assistant Chief Commissioner, stating at page 90 of his judgment, as follows:

In formulating my opinion I have not weighed the economic or social impact upon communities. In my opinion, these are not matters to be considered and weighed by the board in the discharge of its duties under the Railway Act.

This, once again, is in diametric opposition to the case stated by the Canadian Pacific and I am wondering, once again, if the truth does not lie on some middle ground. The summary of presentation by Canadian Pacific at page 5, paragraph 16, says;—and this is in very short telescopic form:

Despite careful watch on the results, no instance has been observed of impairment of the economic or social development of any community caused by reduction in rail passenger services.

In the full brief, under the sections dealing with the Board of Transport Commissioners, the make-up of the board, the MacPherson Royal Commission and its make-up, and the considerations study by those two bodies, the Canadian Pacific emphatically makes the case that in their view, on the basis of their studies and research, no economic description is apt to result from their decision.

Mr. WRIGHT: Well, I sat in the House of Commons about two hours ago—

Mr. OLSON: Mr. Chairman, on a point of order, what Mr. Sherman is doing now is examining the arguments that have been advanced by the Canadian Pacific and by Mr. Wright before this committee, and I would like to respectfully suggest to him that an examination of any apparent contradictions in these arguments is a proper function for this committee to go into when we are deliberating on this evidence—and we usually do this in camera after we have heard the evidence.

The ACTING CHAIRMAN (*Mr. Deachman*): I think your point is well taken, Mr. Olson. Mr. Sherman, I invite you to return to the brief before us and, if possible, to desist from comparing this brief with other briefs. I would prefer it if you returned to the examination of the contents of this brief.

While we are on this matter, I have on my list Mr. Orlikow, Mr. Fawcett and Mr. Andras. I have no others. It is now 5.25 p.m. and I wonder whether we should be considering the possibility of an evening sitting, or if it is possible for us to finish up our business late this afternoon. I am sure the witnesses would like to know so that they can arrange their train schedules and so on. There are representatives from the railroad and the brotherhoods here with watching briefs and I think they should have some idea how long we will be sitting. How do you feel about this, Mr. Orlikow?

Mr. ORLIKOW: Mr. Chairman, I had thought I would be fairly brief but as I disagree with so much of what Mr. Sherman has stated I think I will have to take my full half hour.

The Acting CHAIRMAN (*Mr. Deachman*): Well, let us proceed for the time being and when we get closer to 6 o'clock we will take another look at the situation.

Mr. WRIGHT: With respect to the last observation that Mr. Sherman made about an impact upon the communities, I was sitting in the members' gallery in the House of Commons two hours ago and I heard a member of this committee, Mr. McIntosh, I believe it was, put a question on why the Cabinet had refused to see eight mayors from western Canada. Now, I am not one of those mayors but I know it is perfectly obvious that the mayors of eight large communities in western Canada are sufficiently exercised over this to feel that apparently their communities have been affected by this. So, when you put the question to me as to some inconsistency between the position taken by the Canadian Pacific and that taken by CLREA possibly the mayors might be of some assistance to you.

The Acting CHAIRMAN (*Mr. Deachman*): I can advise the witness that we are planning to hear the mayors in the course of our sittings, so we will have ample opportunity to examine them at the appropriate time.

Would you proceed, Mr. Sherman.

Mr. SHERMAN: I understood that they would be appearing before us and, in deference to the point of order which Mr. Olson raised, I will rephrase the last question I asked, if I may, Mr. Wright.

To what extent has your organization examined the economic impact that this decision with respect to the Canadian Pacific is having and is likely to have on the smaller railroad communities in western Canada; and are you going to maintain an economic watchdog pose over this position and continue to study the situation?

Mr. WRIGHT: The organizations which I represent have not made any study of the social or economic impact, but what has made an impact upon me is the fact that the Assistant Chief Commissioner said—and I quote his words:

In formulating my opinion I have not weighed the economic or social impact upon communities. In my opinion, these are not matters to be considered and weighed by the board in the discharge of its duties under the Railway Act.

This is what Assistant Chief Commissioner Griffin said, and the majority of the board did not dissociate themselves from what he said. I am also aware of the fact that a number of municipalities are of the opinion that there has been a decided impact, and what strikes me as being somewhat hypocritical—and I might as well put it as blunt as I can—is this: if the social or economic impact upon the community was of no concern to the board why did they bother listening to these people? Why did they bother receiving briefs from them? It is for that reason I said they obviously looked at these people with unseeing eyes. It is incomprehensible to me that a decision of this kind could be made without any consideration of whether or not there has been any impact.

Mr. SHERMAN: I am nearly finished, Mr. Wright, but I am interested in the suggestions you make in your presentation with regard to sophisticated new railway equipment and technological advances. I think Mr. Tolmie raised the question earlier today of how you propose this type of equipment can be introduced in Canada. Once again, the position of the Canadian Pacific is well known to everyone in this room, and the Canadian Pacific brief stated that until governments are able to absorb and sustain the kind of expense necessary to introduce equipment of the type we have discussed—

Mr. WRIGHT: Well, there again, that too is a matter of opinion. It certainly must be apparent that Canadian Pacific takes a very sceptical and a very cynical posture where passenger service is concerned and where the Canadian National Railways program, in particular, is concerned. Obviously, the Canadian National Railways do not disagree only with me—that is quite unimportant because I am not important in the scheme of things, being here only as a counsel for a group of railroad organizations—but obviously the Canadian Pacific is completely at variance with the Canadian National. We might as well be perfectly frank about this. As the watchdogs of the public interest surely you must be impressed—you cannot help but be impressed—with the fact that if the Canadian Pacific has its way and if passenger service is as unprofitable as Canadian Pacific claims it to be the burden is going to fall exclusively upon the publicly owned Canadian National Railways.

Mr. KELLY: If I may interject a comment here, you referred to the undertaking of this burden by them. As I read the evidence of Mr. Crump the

question of this elevated track came up again at page 19 of the first day's proceedings, and he calls attention to this tram of the future—as he called them, futuristic trains—and he said they are always on elevated track. I think this applies to the illustrations that appear in the Canadian press, with regard to the possibility of such trains operating between Montreal and Toronto. Now, these trains that are contemplated by Canadian National Railways to run between Montreal and Toronto are manufactured by United Aircraft and would not run on elevated track; they would run on existing track. Mr. Crump drops a paragraph and says that he is convinced the vast funds required for this type of operation are beyond the resources of any private company and, if it is to be done, it can be done only with the backing of government. As a matter of fact, it was just drawn to my attention a few days ago that the Japanese national railways are contemplating a 300 mile extension of the Takata line beyond Osaka, and the estimated cost at this time is \$1,300 million. Now, I am not familiar with the Takata line but I understand it has an elevated roadbed and is an electrified operation. Using the technology that is available today there would not be \$1,300 million involved in the contemplated run between Toronto and Montreal.

Mr. Rock: Could I interject a question. Was the question that was asked in reference to the Japanese line?

• (5:30 p.m.)

Mr. KELLY: No, it was from the C.P.R.'s submission, I understand.

Mr. WRIGHT: This is part of the formal presentation.

Mr. SHERMAN: I have concluded my questioning but I would like to say that I endorse the position which Mr. McIntosh took with respect to the points you made on page 21 of your brief. If I may be so presumptuous, sir, I think that perhaps you made an intemperate suggestion when you implied that you concluded the C.P.R. had been dealing with our money rather than their own money. I would suggest you are not likely to find much support for that point of view in this committee outside of a few members. I merely subscribe to the argument that Mr. McIntosh advanced in that connection. I would like to put that on the record.

That concludes my questions for the time being, Mr. Chairman.

Mr. ORLIKOW: Mr. Chairman, Mr. Sherman seemed to indicate in his line of questioning that what we had here was a confrontation between the C.P.R. and the unions which Mr. Wright represents. Mr. Wright pointed out that the mayors of eight cities in western Canada who will be coming here to make representations will obviously be in opposition to the position of the C.P.R. I wonder, Mr. Wright, whether you could tell us what other governments or agencies made representations to the Board of Transport Commissioners in opposition to the desire of the C.P.R. to cancel the Dominion?

Mr. WRIGHT: Among those who appeared before the Board of Transport Commissioners—and they did not always take the position of complete and outright opposition to the cancellation of the Dominion, I want to be factually correct on this—and who objected to the C.P.R.'s plans in one manner or another, were the Province of Manitoba, and the Province of Alberta, the City of Winnipeg, the City of Moose Jaw, the Province of Saskatchewan, the Province of British Columbia, the Town of Grenfell, the rural municipality of

Elcato, the City of Fort William, the City of Brandon and the Brandon Chamber of Commerce, the Alberta Federation of Labour, the City of Medicine Hat, the Moose Jaw Chamber of Commerce, the village of Coronach, the rural municipality of Hartbuck, Port Arthur and Fort William, the Port Arthur and Fort William Liberal Riding Associations—I do not want to get political on this but they were in opposition—the Terrace Bay Chamber of Commerce, the Chapleau Area Chamber of Commerce and the Municipality of Chapleau, the City of Sault Saint Marie and the Sault Saint Marie Chamber of Commerce, the rural Municipality of Wallace, the federal constituency of Medicine Hat, the town of Kenora, the town of Keewatin, North Bay, the City of Calgary, the City of Regina, and the village of Consul.

Mr. ORLIKOW: Was all this prior to the hearings held by the Board of Transport Commissioners?

Mr. WRIGHT: No, these are the bodies who appeared before the Board of Transport Commissioners in opposition to the C.P.R.

Mr. ORLIKOW: I received the impression that Mr. Sherman thought that since the Board of Transport Commissioners had made its findings, that settled this question. Could you tell us, Mr. Wright, if you have any information, on whether, for example, any provincial governments still wish to make representations besides these eight mayors who want to appear before this committee?

Mr. WRIGHT: Yes, four more petitions have been filed. I am relying on my memory and I hope I am right. I only told you of those of which I am aware and whose petitions I have seen. The Provinces of Saskatchewan, Alberta and British Columbia have filed petitions with the Governor in Council in opposition to the decision of the Board of Transport Commissioners.

Mr. SHERMAN: Mr. Chairman, this is a point of privilege. Mr. Orlikow, if I might just say this, I believe that in our earlier hearings I attempted to question the C.P.R. representatives as strenuously as I have attempted to question the C.R.L.E.A. representatives. I think you are jumping to conclusions when you suggest that I have concluded that it is a *fait accompli*.

Mr. ORLIKOW: I am not here to blame Mr. Sherman. I do not think that is the purpose of this committee. If anybody wants to read the transcript of today's proceedings, they will come to whatever conclusions they want. I am only interested in putting on the record that despite the fact that the Board of Transport Commissioners had reached a conclusion, there are still a large number of organizations representing cities, provinces, chambers of commerce, as well as farm organizations and labour unions, which are dissatisfied with that decision.

Mr. WRIGHT: The C.P.R. in its submission, and a number of members of this committee, have referred again and again to the MacPherson Commission's report and to the recommendations in that report which they interpret as giving substantive support to the cause which the C.P.R. has followed. I wonder whether it is not true that the Macpherson Commission made a whole series of recommendations which could be carried out in the passenger legislation.

Mr. ORLIKOW: The government, in its last session, in fact brought in such legislation.

Mr. WRIGHT: Yes, in Bill No. C-120, I believe.

Mr. ORLIKOW: What happened to that bill?

Mr. WRIGHT: You are probably in a better position to know about it than I am. It is not on the statute books as yet. I know the bill was killed by the Minister of Transport.

Mr. OLSON: Mr. Chairman, I have a point of order. I think that so far all the questions which were asked by Mr. Orlikow are already on the record. Surely we should be attempting to gather new evidence, or at least the opinions of Mr. Wright, rather than to ask him to repeat things that are already known.

The ACTING CHAIRMAN (Mr. Deachman): I am quite sure that if I searched my mind I would recall other repetitive questions that have been put to the witness. We will have to overlook this one, or else we would be deep into a point of order.

Mr. ORLIKOW: I was going to ask one more question in relation to the MacPherson Commission. Was not the question of the gradual reduction of rail services tied up with the whole question of subsidization over a period of years?

Mr. WRIGHT: That is right. That was all part and parcel of an over-all plan.

Mr. ORLIKOW: Have the railways, including the C.P.R., not been getting subsidies?

Mr. WRIGHT: I think this is common knowledge.

Mr. ORLIKOW: I would like to ask Mr. Wright a question, which could perhaps be answered also by Mr. Kelly or Mr. Gibbons. Mr. Wright said that the morale of the C.P.R. employees was at its lowest point. I think he was being very careful and moderate in his language. He was certainly much more moderate than the letters I have been getting.

I wonder if he could tell us the reason for this low morale. Is it just the cancellation of the Dominion?

Mr. KELLY: I think there are other matters involved. I do not know how relevant these matters would be to those proceedings but I do know that the withdrawal of the passenger service has been very demoralizing on the employees, especially when they see their confreres on another railway, such as the C.N.R., increasing the service and getting more job opportunities. Employees of the Canadian Pacific Railway, especially in the passenger service, have always prided themselves on the job they did, and indeed the company has always supported that position. They were the first in the passenger service. It is demoralizing for these employees. If this were the accepted trend and a *fait accompli*, as somebody said, possibly it would be easier to take, but when they see their associates next door faced with the prospect of increasing job opportunities and expanding business, it is very demoralizing. I could not overemphasize the demoralizing effect this has had.

Mr. ORLIKOW: Could I ask you, Mr. Kelly, whether the reduction in the passenger service, on the Dominion amongst others, has had an effect on the traditional privilege or right of the C.P.R. employees to pass privileges?

Mr. KELLY: Pass privileges are indeed a very sore point. They feel that this has actually been one of their conditions of employment over the years; that this formed a certain form of compensation. They now see the privilege of these passes decreasing and disappearing. They take it as a cut in pay.

Mr. ORLIKOW: Do the employees have a right to pass privileges on the Canadian?

Mr. KELLY: They do. As I understand those pass privileges, they are restricted to upper berths, which they can never get. All the accommodation is taken up on the Canadian. However, there are trains other than the Canadian. For instance, when the C.P.R. discontinued the passenger service from Toronto to Montreal and from Toronto to Ottawa there was a great number of employees at Smith Falls who had no pass privileges at all. This has been a very sore point.

Mr. ORLIKOW: In effect, when the service is discontinued, the pass privileges are wiped out and the employees feel that this is, in effect, a cut in pay.

Mr. KELLY: That is the way they feel.

Mr. ORLIKOW: But the passes were never negotiated, were they?

Mr. KELLY: They were never negotiated, but if my recollection serves me right I think during certain conciliation proceedings the Canadian Pacific has pointed out that this was one of the benefits enjoyed by the employees.

● (5:45 p.m.)

Mr. ORLIKOW: Will Mr. Wright comment upon the statement in the brief of the Canadian Pacific Railway—I do have the brief in front of me—to the effect that there will not be any very serious social and economic effects resulting from the discontinuance of the “Dominion”? There certainly are serious effects on unemployment.

Mr. WRIGHT: Yes, I would be interested to know what studies were made by the Canadian Pacific Railway before they arrived at that conclusion. I would be very interested to know what efforts were made to determine what the economic and social impacts were, what those studies consisted of. They did not tell you; they just gave the bold assertion that they were not aware of adverse effects; and, you know, you are not going to find them if you do not go looking for them.

Mr. ORLIKOW: The adverse effects of discontinuing the “Dominion”?

Mr. WRIGHT: Yes. You see there are a lot of stops; there are a lot of terminals at which the “Dominion” stopped and the “Canadian” does not. The Canadian Pacific Railway announced that with this change in service they would make flag stops at these intermediate terminals formerly serviced by the “Dominion”. It is not just as simple as all that. I do not want to go into all the details of it, but a community is bypassed; there is no question about it. There are effects in terms of job opportunities, job losses, and there are impacts on the communities. If there were not, these mayors about who we have talked, and all these other organizations or public bodies who appeared before the Board of Transport Commissioners, would not have gone to the expense or taken the time and trouble to appear.

Mr. CARTER: On a point of privilege, Mr. Chairman, may I say that we barely have a quorum and that I have to leave in a few minutes. Therefore, if we are not able to finish this evening and have to come back for another session tonight, perhaps we may adjourn a little early or find a replacement if you wish to continue.

The ACTING CHAIRMAN (*Mr. Deachman*): The committee must maintain a quorum, as you know. We have ten minutes to go before six o'clock. It looks rather as though we will be faced with the necessity of an evening meeting, Mr. Carter, to accommodate those members who still have questions to put to the witnesses. I am at the mercy of the committee. If you leave, I must notice that there is no quorum, and that will end the meeting. Perhaps you could stay until Mr. Orlikow has finished his questions.

Mr. ORLIKOW: If we will not finish this afternoon, Mr. Chairman, it seems to me there is no reason to wait until six o'clock. We could adjourn now and come back at eight o'clock.

The ACTING CHAIRMAN (*Mr. Deachman*): Are there any other suggestions about the remainder of the hearings of the day? Mr. Fawcett, you look as though you have something to say on the subject. There are two or three members from whom we still have to hear. Mr. Orlikow has some more questions and Mr. Andras has some questions.

Mr. ORLIKOW: I move that the committee adjourn now.

The ACTING CHAIRMAN (*Mr. Deachman*): I have a motion for adjournment. Is anyone opposed?

Motion agree to.

The ACTING CHAIRMAN (*Mr. Deachman*): We will resume at eight o'clock.

EVENING SITTING

(Recorded by Electronic Apparatus)

THURSDAY March 17, 1966.

● (8:20 p.m.)

The CHAIRMAN: We have a quorum. Mr. Orlikow, you may continue.

Mr. ORLIKOW: Mr. Chairman, I will be very brief. I will try to come back to one thing with Mr. Wright, which a number of members have discussed, namely the question of the contract between the C.P.R. and the Government of Canada. As I understand it, it is not your position that the company can never discontinue a particular train, but rather, as you interpret the contract, basic changes in the railway operation should be negotiated between the Government of Canada and the company.

Mr. WRIGHT: Yes, I would think that should be the only sensible way in which to proceed; but if one party unilaterally arrogates to itself the right to move, then I think it exposes itself to all of the vicissitudes involved.

Mr. ORLIKOW: That is all, Mr. Chairman.

The CHAIRMAN: Mr. Fawcett?

Mr. FAWCETT: I am sorry I did not say before we adjourned that I was going to be only two or three minutes. I have a couple of questions. I think this has all been hashed and rehashed so often that there is no point in my going into it any deeper, but I was just wondering if Mr. Wright was aware of the fact, or had read in the proceedings that Mr. Sinclair had indicated that under this item of road maintenance, which amounts to \$1,932,657, snow plowing and

spreading are not part of the variable costs. It is a constant cost and this cost is not included in that sum of money. Were you aware of that, Mr. Wright?

Mr. WRIGHT: No, I cannot honestly say that I was.

Mr. FAWCETT: To my way of thinking, this would be quite a cost. This is what makes me feel that some of these costs are absolutely fantastic. I see two other items here. Engines house expenses at \$221,757, and locomotive repairs which run well over \$1,000,000. Now, I cannot understand these heavy engine house expenses for engines which I know are on the road daily.

Mr. WRIGHT: To be referable to the Dominion and of being specifically allocated to the Dominion?

Mr. FAWCETT: Yes, that is right, \$221,757. It seems like a very unrealistic figure, when the cost of locomotive repairs is also itemized farther down, and it is, I would say, quite high. There is just one observation that I would like to make. This is not a question and I will not take up too much time on it. I refer to the fact that in a news release yesterday, Mr. Donald Gordon made the statement that passenger traffic on the Montreal-Toronto run is up 20 per cent over the combined passenger traffic of C.P. and C.N. when they operated the pool train.

Now, this does not seem to tie in with what we have been told right along, that passenger traffic is diminishing. On top of that, the Canadian National increase is 14 per cent over last year. This indicates that what Mr. Sinclair was telling us regarding the passenger traffic being on the wane does not quite add up.

I was wondering if Mr. Kelly could answer this question, and it was in connection with Mr. Sinclair's statement that during the peak months, there was only 80 per cent occupancy on the Canadian. The reason I ask this question is that I worked a transcontinental train this past summer for a period of about eight months. I would say that about 90 per cent of the time we were overloaded; we were overcrowded; we were handling passengers on there that we did not actually have any space for. I was wondering if Mr. Kelly has had contact with any Canadian Pacific conductors on their transcontinental runs during the peak period and what they would have to say about this 80 per cent occupancy. Do you think this would be borne out by fact, or otherwise?

Mr. KELLY: Well, I certainly would not want to challenge the figures as being incorrect, but if it is the case, it would leave me with the assumption that there is something wrong with the reservation system, because we have had many people complain and try to make reservations for a month or six weeks ahead. And if it is at 80 per cent of capacity, it must be that there is something wrong in the reservation system, with the wait list system, or is there follow-up for people that are wait listed, because it is common knowledge that in the peak periods, passengers would maybe want to make a trip within a week. They would say, "we have not an opening for four weeks". This is common knowledge, and that is the only thing I could put it up to if the 80 per cent figure is correct.

Mr. FAWCETT: Yes, as I said, the reason I mentioned that point is my experience on the Canadian National and I would presume the Canadian Pacific would be operating in much the same way. I do not think there is anything else that I could say that would not be just a rehash of what went on before, Mr. Chairman. If you want to call someone else?

The CHAIRMAN: All right, Mr. Andras?

MR. ANDRAS: Yes, Mr. Chairman. Mr. Wright, I am not a lawyer, but we discussed this afternoon and in previous meetings this question of the contractual obligation of the C.P.R. under the 1881 agreement. Not being a lawyer I will not pose the problem of worrying about whether this is valid or invalid or anything like that. I do not think there is any doubt that they have entered into a contract and this would stand up in a court of law or any other way. But when you get to the real problem and this is what we, as a committee, have to deal with without emotion or bias, without prejudice or political influence or whatever you want to call it, we have to decide what is the proper course and to me it seems to be narrowing down to a degree of timing, a degree of service that is necessary for the country.

There is absolutely no doubt at all in my mind about the need for the Canadian, for the continuation of transcontinental passenger train service for the foreseeable future, maybe our lifetime; I do not know. I feel that the discontinuance of the Dominion was a hardship in certain areas and I have made this statement to the C.P.R. that in the area I come from, northwestern Ontario, because of its low density of population and so forth this was a hardship.

You are very emphatic in your brief on page 35—and reference has been made to this before—in recommending that the C.P.R. be directed to resume operation of the Dominion. You go on to say, “as a properly equipped transcontinental passenger train which was defined as a result of a question made today.” You mean a full consist with sleeping and eating accommodation and so on. We have to arrive at a determination in the end, and whether we interpret this in the legal way or in any other way—forgetting legal entanglements—it is our responsibility. We cannot go so far as a Committee or as M.P.’s or whatever you want to call it, to recommend too much service that is—I am going to use a C.P.R. phrase—a misallocation of resources; nor can we go the other way and have too little. Ultimately, no matter how we put it, we have to find the right answer.

Now, is it the Canadian and the Dominion, or is it the Canadian and why? In more specific terms you say we need a national transportation policy and a decision like that should have been made in the light of conditions in existence. For what specific reason do you feel that the Dominion should be added. What ammunition can you give as evidence to justify the Dominion going back into service.

MR. WRIGHT: Well, in the first place, I am convinced that the plight of the Dominion and the experience of the Dominion has been presented to you in the form of a charade. Bear in mind that when you go back, beginning with 1960, until this day, you do not have any basis for knowing whether or not the Dominion would have enjoyed a heavy or a load passenger effective demand to use the C.P.R.’s expression. Since 1960, they have operated on a full transcontinental summer consist for only approximately two months in each year. You are therefore presented with a *fait accompli* and there is a natural and a normal and a perfectly understandable tendency to say: “Well, if this has been the situation for the last five or six years, why bother interfering with it now?” My proposition to you is simply this—and it is not a rhetorical approach on my part, I hope. It is not—that this was carefully predetermined and planned by C.P.R.

to deliberately destroy the Dominion so that they could come to you with this situation with which you are confronted today.

Mr. ANDRAS: What about your argument about the Faresaver plan which was sometime prior to this reduction of the services of the Dominion in order to get a maximum usage?

Mr. WRIGHT: Well, at the very best they can only be talking about an experience which must have been confined to a year or two prior to 1960, because the Faresaver plan, according to my recollection, came into effect—probably not earlier than 1958. I say that the thing has not been given a proper chance, and that they made sure that the Dominion would not be given a proper chance. It really does not make much difference what sort of plan a potential passenger is going to be offered when the facilities that are given to him are absurd, in terms of transcontinental service. We find ourselves going in a bit of a vicious circle I admit, but this is the situation that has been precipitated by the Canadian Pacific.

Now, I appreciate the point that you are making. If I can succeed in making any point at all here today, it is that the committee and parliament should stop and look at this situation. Once a service has been eliminated, it is gone. And it is extremely difficult, particularly in these days of rapidly advancing technology, to reinstate it if subsequently, a year or two hence, it should be demonstrated that the public interest demands the reinstitution of the Dominion. I simply say let us stop and look where we are going. What is our over-all transportation policy in a country as widespread as Canada? Remember that the transportation system is on a horizontal rather than a vertical basis, as it is in the United States. I think that we must simply examine what the demand is on a realistic basis and not on this artificial basis that has been presented to you by Canadian Pacific. I repeat; I was irked by the interpretation that was given by the Board of Transport Commissioners, when on September 1st, 1965, they directed that the Canadian Pacific Railway should continue to operate the present passenger service provided by the Dominion until the Board orders otherwise. That meant only one thing; and that is that the service that was in effect on September 1 should be continued. But the result in purely practical terms of allowing Canadian Pacific to downgrade the Dominion between the date of the order and the date that the hearings commenced, was such as to present to the Canadian public an image of a rather trifling type of an argument in that all that we are really fighting about is a diesel car and two coaches. And this is unfortunately the position and the background against which your question is put, if I may put it that way.

Mr. ANDRAS: Well, then, going back to your argument in your attack on the cost, the losses reported in C.P.R.'s brief and all their presentations, do I get this straight, that you are suggesting first that they might be taking a poetic licence by the regression analysis approach and so on; that there is a possibility that a different approach to cost analysis would produce a much lower loss or even a modest profit, and I take it that they are not stupid people. If there is any leeway between their figures—they are producing these figures for a purpose—they might be less. They are doing this and you are suggesting they are doing it just simply to maximize profit. In other words, even if their losses were lower or even if they had a small profit, they would prefer to get out of that and get

into something that produces more. This would be the justification for them producing an inflated statement of losses?

Mr. WRIGHT: Yes, I say that the variable costs do not represent real costs at all. The deficits that they talk about do not involve losses to Canadian Pacific. It is purely a statistical fantasia as Professor Berge put it, and it is not to be confused with the type of losses that you or any of the other members of this committee, as ordinary businessmen, would recognize in their own businesses, no matter how large or how small. You know that you have a loss and you know the number of dollars involved. But this business of allocating losses, these variable costs rather, against the Dominion is certainly not an exact science to say the least. It was for that reason that I filed with you this exhibit, the statement by Professor Berge.

Since you brought up the question of degree in terms of planning for the future, I would suggest respectfully that the first task for this committee is to satisfy itself whether or not there has been losses incurred by the Dominion and if so what has been the extent of these losses. If you should find that instead of there being losses as alleged of about \$9,600,000 the lost may amount to something in the nature of \$1 million or \$1,500,000, I would like to think that this would have some effect on your thinking, particularly in view of the completely unimaginative approach of C.P.R. in terms of promotion of their passenger sales.

Mr. ANDRAS: Now Mr. Kelly, and Mr. Wright, you both made a point about the recognition on the part of the unions—and union costs are part of this picture, they have to be part of this picture. We would be less than realistic if we did not recognize that. The union approach to this would be fairly treated under decent negotiation arrangements that you would recognize the need for change. We are really talking in the broad area of automation in a general term here, are we not? Whether it is railway or something else, it is the same problem facing many industries. Has the C.P.R. ever sat down with the senior executives of the various unions involved and said "this is our forward program; we realize that this is an automation program; we realize that in some stage there will be a reduction perhaps of specific jobs, and perhaps later a buildup of others". Have they ever given you an advanced opportunity away from the heat of contract negotiations?

Mr. WRIGHT: I am sure that Mr. Kelly would want to answer that. You have hit upon an extremely important issue about which Mr. Kelly has very strong opinions and I am sure he would like to answer that. I would have liked to answer it myself. Go ahead, Mr. Kelly.

Mr. KELLY: Well, when you ask, have they ever sat down and given us advance information of planning or what the future may bring about, the answer is definitely no; not during a term when the contract is closed or during open negotiating sessions. We have spent months on this very subject before another recent tribunal, the Freedman Industrial Inquiry Commission, and we have been urging this approach on the railways to sit down and discuss these matters; to lay down on the table their long range programs—it does not matter if it is freight, passenger or what—and let us cope with these problems. I think you will find that the union approach has always been that they will sit down and negotiate. The company approach to date has been to bring in innovations during the term when the contract is closed and take comfort in what is known

as the management's rights theory, that the union has no say about this. Now the latest word on this under the Feedman report is that this approach is entirely wrong. He has recommended a change in that approach even to the extent that if there is no change in the approach there should be legislation; there should be an amendment to the I.R.B.I. Act.

Now, we would certainly be prepared at any time to sit down but the answer to your question is definitely no, we have never been approached in this manner.

Mr. ANDRAS: May I ask a supplementary—

The CHAIRMAN: Mr. Andras would you mind?

Mr. CANTELON: I just wonder, Mr. Kelly, if you would sooner have a fully automated transportation passenger system or no passenger system at all?

Mr. KELLY: Well, as you know, as one who will be called upon to negotiate contracts with the railways in the future, I certainly would not want to make broad statements along those lines; but if automated trains are going to come, this will come about, and my personal observations on that are, looking to the good of the public of Canada rather than have no service, and this can be done safely, and the public interest is not jeopardized and there are no safety problems, certainly we would want to see the public of Canada have adequate transportation service.

Mr. CANTELON: Well, there would be some advantage for the railway people too because even full automation would provide a number of jobs. If you have no passenger train at all you are not going to have any jobs.

Mr. KELLY: This is true.

Mr. ANDRAS: You asked a question with regard to the point I was driving at . . .

Mr. KELLY: Well, I am sorry . . .

Mr. ANDRAS: No, it is quite all right. I think it is most valid because we have three participants in addition to the public which is the most important of all in this situation. We have three participants to this problem or this bargain if you want to call it that. There is the railway, there is the government, and there is the union. Eventually we are going to have to face this increase in efficiency and I am not talking of efficiency in terms only of profit, but I think, Mr. Wright, as you put it, we cannot continue in this country to be outpriced on anything from an international competition point of view. I am very much encouraged, Mr. Kelly, by what you tell me. If that attitude were carried forward in the negotiations, assuming as reasonable a reception and reaction from the other party, I think something could be done here. I believe it is very important in the situations that we face. I think it will be less costly even if the unions rose in their wrath when they were presented with this and said, "never, never, never", in the end you would come to a reasonable situation that would be less expensive than the description of being presented with a *fait accompli* at some later date. I think generally that much has been covered and has satisfied me. I wanted to get those points across.

Mr. KELLY: All right, Mr. Andras.

The CHAIRMAN: Mrs. Rideout, I had your name on the list. Do you still wish to ask any questions?

Mrs. RIDEOUT: I do not think so.

Mr. CHAIRMAN: Then we will go to Mr. Carter.

Mr. CARTER: I just want a minute or two. I gather from the second paragraph on page 8 of your brief, Mr. Wright, you are of the opinion that the Board of Transport Commissioners does not have sufficient authority or power to deal with a problem of this kind. Is that correct?

Mr. WRIGHT: That is correct.

Mr. CARTER: You refer to the passive role of the Board of Transport Commissioners. I think you said they made no move to stay the hand of C.P.R. when they started to do away with this service. Does that mean that the Board of Transport are not fully using the powers they have, or that they are restricted by this railway section that you refer to.

Mr. WRIGHT: No, no. What I was referring to there was the passive role played by the Board of Transport Commissioners in not enforcing its own order. It is basic that, even when a court issues an order, the order is binding upon all persons to whom it extends including the court itself, until the board varies its order. What I was driving at there was the fact that the board ordered the Canadian Pacific Railway to "continue to operate the present passenger service provided by the Dominion until the board orders otherwise". Now if the C.P.R. had done that, if they had complied with the order, and if the board had insisted upon enforcing its order, it would not have been possible for C.P.R. to have downgraded the Dominion between September 1, the date of the order, and September 7, the day in which they downgraded the Dominion. But as a result of the passive role played by the Board of Transport Commissioners in not enforcing its order, the image that was presented to the public of Canada was that really this fight that was going on across the country was just a tempest in a teapot. Why fight about a little Toonerville trolley that consists of practically nothing at all. When in point of fact that was not the issue.

Mr. CARTER: Have you any ideas or opinions as to why the board adopted this passive role?

Mr. WRIGHT: I do not know, Mr. Carter. I could speculate upon it. I have my own ideas on the subject. I am not going to try to urge them upon you. I may be wrong. I am simply presenting the facts to you, and I ask you to draw whatever inferences you think are reasonable.

Mr. CARTER: What I am trying to get at is, do you think this role, or their approach to this problem, is a result of precedents established, or an interpretation of their powers under the act, or an interpretation of their functions? Would any of these things account for that?

Mr. WRIGHT: I think we are talking about two different things, sir. I was relating my argument, if I may use the courtroom word—

Mr. CARTER: Yes, just to this one point—

Mr. WRIGHT: I take it that what you are referring to now is the broader question of the authority of the board. Well, the authority of the board is unnecessarily restrictive in my view, under section 315. Section 315 might be all right when you are dealing with the question of the abandonment of some small branch passenger line. It might be all right when you are considering the commuter service in a metropolitan area, but surely not when you are consider-

ing the total elimination of a transcontinental passenger train service. I feel that in the public interest there are many considerations that must enter into the picture in order that one might come to a fulsome decision and not the narrow guidelines provided by section 315.

Mr. CARTER: Well I get the impression from your brief that there is a difference of opinion between you and the board as to their functions. For example, you seem to indicate that you feel that the board should have carried on studies—

Mr. WRIGHT: Yes.

Mr. CARTER: —transport studies into the future for the potential traffic and so forth.

Mr. WRIGHT: Particularly having regard for the technological improvements that are taking place right now.

Mr. CARTER: Whereas the board itself did not regard that as part of their duties, I understand.

Mr. WRIGHT: Certainly they have not shown the evidence of taking this into account. They have taken into account only the very narrow guidelines provided by this section that I refer to in the Railway Act, which says that if there is a highway adjoining—and these are just some of the matters—if there is a highway adjoining the right of way... If there is a highway adjoining—and these are just some of the matters—if there is a highway adjoining the right-of-way, then the Board is entitled to take that into account. If there is a competing railway, the Board is entitled to take that into account; but surely not when we are talking about a transcontinental line going all the way from Montreal to Vancouver. It is so very basic in the over-all communications picture.

Mr. CARTER: I take it that you are convinced that the Board has sufficient authority now to initiate those studies if they wish to do so.

Mr. WRIGHT: I am not so sure that they have that authority. In fairness to the Board I do not think that they have the authority to do that. The position which I urged upon the Board was that the problem before you is so large, I do not know when there was an application before them before for the abandonment of the transcontinental passenger line, I do not know of any, but I said the problem is so basic, it so important, and it is so large, and the ramifications are so extensive, that you ought not to deal with this matter yourself now; you do not have the power to deal with this meaningfully. This is a political decision—and I am using the word in its best sense—which ought to be made up on the Hill.

Mr. CARTER: Would it be fair to say that, in your opinion, we should have a somewhat different body, or a body with much broader authority to handle problems of this nature?

Mr. WRIGHT: Well, I certainly think that the Board ought to be given greater authority; whether they need increased facilities I am not sure. It is so easy to destroy a transportation system, and so very difficult to build it up again. This is one of the fears that I suggest is a valid consideration, and—I refer to it in my brief—President Johnson articulated that very fear.

Mr. CARTER: Just before we wind up, Mr. Chairman, I would like to clarify a reply that Mr. Wright made, and I think it was to Mr. Andras, earlier, or to

somebody else this afternoon. I think you made a statement at the same time that the C.P.R. downgraded the Dominion, stripped it down to a coach, a "Toonerville trolley". I think you described it, and at the same time they increased the fares.

Mr. WRIGHT: That is right.

Mr. CARTER: I think when Mr. Sinclair was here he explained that up until then the fares had been worked out under what they called the "Faresaver plan", which was, I gathered from him, abnormally low. If the fares were abnormally low their increases would be more noticeable I suppose. Can you give us any facts or figures on what the actual increase was?

Mr. WRIGHT: I cannot give you the figures at the moment as to the actual increases; I did have that material. The Board in its judgement sets out the differences in the rate. I do not know if I can put my finger on it quickly, but the differences in the rates are actually referred to by the Board in its judgement, and the rates are noticeably higher in the case of the Canadian Pacific.

At page 33 of the judgement of the Board of Transport Commissioners, the Board went into the question of fares. I am sorry, sir, the fares of Canadian Pacific are set out as of May 1, 1965, August 1, 1965, and October 1, 1965, but the comparable fare for Canadian National are not set out there. I can obtain this for you without too much trouble.

Mr. CARTER: I do not think it is all that important. I just wondered if you could give us some idea of just how big the increase was from the Faresaver plan which I understand were in effect at the time the train was downgraded. I am asking only for C.P. fares.

Mr. Wright: You are asking only for Canadian Pacific fares?

Mr. CARTER: Under the Faresaver plan and when they were increased.

Mr. WRIGHT: The only fares that I have here are the fares as at May 1, 1965, August 1, 1965, and October 1, 1965. I think if we take May 1 and August 1, this should portray the picture. Montreal to Saint John from \$19.70 to \$22.89, Montreal to Sherbrooke from \$4.05 to \$5.35; Montreal to Sudbury, in one case, that is, in one of the trains, from \$15.85 to \$19.75; in the case of the other train, from \$16.35 to \$20.25; Montreal to Vancouver it was constant, in fact it went down in October; it was \$51.00 on May 1 and August 1, 1965 and was reduced to \$43.00 on October 1, 1965.

Mr. CARTER: Was that lower fare that you mentioned there for Sudbury the Faresaver plan fare, the fare under the Faresaver Plan.

Mr. WRIGHT: That undoubtedly must be the fare on the Dominion. They must have implemented a reduced fare on the Dominion. I am simply assuming that, because really even that I think was too much for what they were giving. You just had to sit up. I think it would be more informative from your point of view and, unfortunately, I do not have the figures here today, to give you the comparative rates between Canadian Pacific and Canadian National between the same points and the differences are startling. It is infinitely cheaper to travel on the Canadian National than Canadian Pacific apparently. Certainly two businessmen who are competing for the same product, normally do not compete by pushing their prices up higher than the competitor does, unless he wants to get out of business.

Mr. CARTER: Thank you.

The CHAIRMAN: Mr. Olson.

Mr. OLSON: There are just one or two points I want to clear up, Mr. Wright. As a representative, spokesman and counsel for some of the employees' organizations, I believe the men working on the scene or those who are directly involved in the operation have a viewpoint that we ought to hear. Now, if you do not wish to answer or if you have not consulted the membership of these organizations obviously, of course, you cannot answer, but I would like to put these questions anyway.

Could you, or would you, inquire of some of your members as to their opinions respecting the weaknesses and problems in the reservation system?

Mr. WRIGHT: Yes, certainly.

Mr. OLSON: And at some later hearing when you have gathered this information we could call someone from your organization and have that put into the record.

Mr. WRIGHT: But there is a problem there, Sir.

Mr. OLSON: Yes.

Mr. WRIGHT: The problem is that in order to establish my point I would have to produce a witness and I would be producing the sacrificial lamb.

Mr. OLSON: I understand that. I am hoping that there would be some way that we could get the opinions of the men working right on the scene without presenting a sacrificial lamb, as you say.

Mr. WRIGHT: The problem is that if I present a statement to you telling you about the reservation system of the C.P.R., then the Canadian Pacific quite properly would say "What evidence do you have to support it?" The only way that I could establish that is by calling an employee or employees of the C.P.R. then the man is out of a job.

Mr. OLSON: I understand that and I appreciate the problem but I also believe that the members of this Committee would like to have that information. It would be useful, I should say, to the members of this Committee if they could have the viewpoint of some of the men who were working right on the scene, and maybe, without giving a positive answer now, you could think about that and see if there is some way that we could have those opinions expressed here respecting some of these weaknesses without an employee jeopardizing his employment.

Mr. WRIGHT: I assure you we will look into the matter with the greatest possible care.

Mr. OLSON: My next question is: Have past privileges ever been a part of a collective agreement with the C.P.R.

Mr. WRIGHT: I would rather Mr. Kelly answered this.

Mr. OLSON: This was discussed but I just wanted to put the one point-blank question to...

Mr. KELLY: No, to my knowledge they have never been incorporated in a collective agreement.

Mr. OLSON: Have these past privileges ever been advanced by the C.P.R. as an argument in contract negotiations with the employees.

Mr. KELLY: If my recollection is correct, they have been mentioned before conciliation boards and with even a value attached to them to show compensation to the employees.

Mr. OLSON: Thank you, Mr. Kelly. Again as spokesman for the membership of the men actually operating these trains, do your members believe that there is an increasing demand or a decreasing demand for railway passenger service?

Mr. KELLY: They believe there is an increasing demand, primarily maybe not what they have witnessed on some of their own trains, but when they see their associates, and talk to their associates on the Canadian National about what is going on and the number of people riding these trains, they will make comparisons, for instance, right here from Ottawa to Montreal about what is going on on these trains. When they see Canadian National take on these conductors and give them a two-week course in upgrading their handling of the public and pay them to come in for these courses to improve their service to the public, they feel there certainly is a demand and some of these conductors compare notes on both roads: But they could not possibly prove it by the people that are riding on their own trains, the Canadian Pacific.

Mr. OLSON: I believe all of us or at least I do anyway agree that there is a greater demand by Canadians for all kinds of travel service: Automobiles, bus, air line, and so on. Is it the opinion of the employees of the Company who actually deal with the public, that there have been more calls for C.P.R. railway passenger service. In other words, is this on the increase or is it decreasing? I want to make it clear the reason I ask this question, is that we do not seem to be getting anywhere in attempting to assess, or to establish, or in any way determine the actual number of requests for demand for service by the public on the C.P.R. railway.

Mr. KELLY: I think, Mr. Olson, when you mentioned about employees on the trains—

Mr. OLSON: No, not on the trains; I am talking about the employees who would actually receive requests from the public in the first instance.

Mr. KELLY: I think now you are back to the reservation, and we will try and get this information for the Committee. These are the people that would have the contact with the public.

Mr. OLSON: Right, but they have not expressed an opinion to you that there have been more individual requests from the public for this service recently.

Mr. KELLY: No; I might say we have had informal discussions. We have had our own representatives that come from Western Canada that are called in to Montreal for negotiations, and it is pretty near impossible for them to get reservations on trains. We have this kind of information that is not maybe valid information for the purpose of this Committee, but we will certainly try and develop it from the people that have the contact with the public.

Mr. OLSON: I realize it is not going to be proof or anything at all; it is going to be an opinion. I wonder whether we can get information on whether or not there was an increase or a decrease in the demand say between 1958 and 1960, from 1960 to 1964, and since 1964? I want to know this whether or not what I regard as an increased demand for all types of travel service by Canadians is also reflected in an increased demand for C.P.R. railway passenger service. That is all, Mr. Chairman.

The CHAIRMAN: Mr. Allmand.

Mr. ALLMAND: Mr. Wright, if we accept that the contractual clause that says to "forever efficiently maintain work and run the Canadian Pacific Railway" means to provide efficient railway services and not to run at a profit, and if we accept that the C.P.R. has broken this clause in the contract, that it is in bad faith, as you say, and that it is downgrading passenger business, then we might ask what sanctions can be applied against them, and what remedies are available to us.

In your brief, you suggest two things. At page 35, you say "We submit, therefore, that for all of the above reasons the decision of the Board of Transport Commissioners should be rescinded forthwith and the C.P.R. should be directed to resume the operation of the 'Dominion'." And then at page 26, you say, "The C.P.R. should, therefore, be given a choice at once either of living up to its contract or of suffering the consequences of its having unlawfully rescinded the contract. If the latter course is the one which must be followed, then Canada should demand forthwith an accounting from Canadian Pacific and should obtain the return to the people of Canada not only of the moneys which have been paid to the C.P.R. under the contract but also the return of the land grants and the natural resources therein which have so enriched the C.P.R."

I want to deal with these two things that you suggest. The first one is to force the C.P.R. to continue the train that they think is unprofitable. I submit to you that if we require a certain passenger service, it would be too difficult to enforce good efficient service. In other words, if we were to apply specific performance against the C.P.R., I submit that this would not give us really what we want, the type of service that you seem to want. That is the first thing you suggest.

The second thing you suggest is that we claim back the land and the money, and I presume leave them the railway line. It seems to me that this also leaves us with an efficient railway service in Canada. I see four possible sanctions against the C.P.R. if they break this contract.

One would be damages, which you have already more or less mentioned, and I have dealt with. The second is specific performance, which I have already dealt with. There are other types of penalties such as withholding air line grants which they might want, or withdrawing subsidies; and a fourth one would be nationalization of all the rail lines. I think if you follow through with the principles that are put forward in your brief, the type of service that you want, and if you would agree with me that you cannot really enforce specific performance and get what you want by either taking back the grants or forcing them to provide rail service, then the only alternative is to nationalize. I would like your comments on this, Sir.

Mr. WRIGHT: It is not an easy question to answer, and I suspect from some of the language that you have used, Sir, that you must be a lawyer. I am more accustomed to asking questions than to answer them; it is a lot tougher to answer them, I realize that today.

Canadian Pacific, in my opinion, would never have done this if they knew they could not get away with it. They would never have the nerve to downgrade the Dominion in the way that they did unless they felt that there was a reasonable expectation that they could get away with it.

In terms of specific performance, I do not see what the great difficulty would be if the Board of Transport Commissioners were directed to rescind its order and if they were told: that is, if the Board of Transport Commissioners directed the C.P.R. to operate properly, then the Board of Transport Commissioners do not have the power under the Railway Act to enforce its order. There might be problems; there is no question about it, but without sounding flippant about it or being on a soap box, I do believe that the Government of Canada is still bigger than Canadian Pacific; and I believe, if it is merely a matter of enforcing the Railway Act it can and should be done.

We actually dealt with some of the issues that you have raised this afternoon and spent some time on them but possibly you were not here.

Mr. ALLMAND: Yes.

Mr. WRIGHT: In fact we went so far that one of the members of the Committee questioned us as to the form in which the action would be brought. Once we had agreed on specific performance, in which course would you bring it, who would be the plaintiff. We actually went into all of that. I recognize that there are a good many problems involved in this. As I said this afternoon, I do not have any sadistic delight in seeing Canadian Pacific operate at a loss just for the sake of operating at a loss. I simply say that before you destroy 25 per cent, or approximately 25 per cent of Canada's transcontinental passenger service, stop, look, and listen. Let us try out what the over-all transportation policy ought to be; let us have a decision by the legislators as to what the policy will be, and let us determine what the role of Canadian Pacific will be within that framework. As far as I am concerned, and since I am speaking to a lawyer, if there has been a breach of contract, certainly between two private parties, there are means of obtaining and enforcing a remedy against the guilty party, and if it should be held that the Canadian Pacific has been guilty of violation of its contract, then I would suggest that a very simple procedure would be to take back those lands and to have it enforced by a simple court order. I think that Canada would not be too much the loser to begin with if we had all those lands back today with some of the valuable mineral rights that they have there.

Mr. ALLMAND: When you say take back the lands do you mean take back all the rail lines too?

Mr. WRIGHT: As far as the rail lines are concerned, I do not profess to have all of the answers.

Mr. ALLMAND: My point is, if you look at the areas of contract with specific performance as applied, I do not think that you can really get what you want by forcing the C.P.R. to carry on a passenger service that they do not want. They will just continue to do as you say, provide this Toonerville trolley and so forth. You may say, you have to provide this number of cars, and this number of things, but when this is a private company I feel that you just cannot make them do what you might really want. If you take back their lands, you are still not going to have the railway service.

Mr. WRIGHT: If the Canadian Pacific knew that they could not get out of this service they would get out and hustle. They would do what Canadian National has done. Canadian National has not just sat back on the side lines with some sort of cynical attitude towards the whole thing. They have upgraded their passenger services; they have increased their passenger revenues; they are

going to make money on the run between Toronto and Montreal; whereas Canadian Pacific have simply stepped out of the picture completely. They want out of the passenger service, and they know that there is a way out for them, and unless you stop them they are going to get out of it. If they knew that they could not get out of it and that they were going to be stuck with it, they would get out and hustle; they would promote their passenger service and they would do precisely what Canadian National is doing. Canadian National knows that as a publicly-owned utility, or publicly-owned company, they are in the passenger service to stay, and what are they doing about it? I think Canadian National has done a tremendous job in the field of passenger service; we all know that they have. Canadian Pacific know that they can get out, or at least they have every hope to believe that they can get out, and therefore these avenues are open to them; but if they knew that they were stuck with it, using an improper word if I may, I think that you would have an entirely different attitude. They are sufficiently astute business men to know that they want to make the best out of a situation, and turn it into a profitable operation.

Mr. ALLMAND: Do you feel that two alternative solutions that you propose are preferable to nationalization?

Mr. WRIGHT: Yes, I do.

Mr. ALLMAND: I personally feel that the only way you are going to get the C.P.R. to act the way you wish, is if they have a real threat of nationalization. I think that the two solutions that you suggest have no chance of really being enforced and they know it. I think they will not really act the way you want them to unless you really threaten them with nationalization. I wanted to know what you thought as a union man about nationalization?

Mr. WRIGHT: I do not welcome nationalization of Canadian Pacific. I think we already have one substantial transportation company which is publicly-owned. I do not see this as a glittering prospect at the moment. I simply say we should make it impossible for Canadian Pacific to get out of this thing and make them shoulder their share of the public responsibility, and they do owe a responsibility to the public. The alternative is simply to let them get out of this; keep the consideration which passed from Canada to the Canadian Pacific and let them walk out. This is the alternative as I see it.

Mr. ALLMAND: That is all, Mr. Chairman.

Mr. CHAIRMAN: Mr. Byrne.

Mr. BYRNE: Mr. Wright, do you recall, probably 5 or 6 years ago, the President of the Canadian National Railway announced over radio and t.v. or through other news media that he was going to withdraw the Continental for the winter months. Do you recall that?

Mr. WRIGHT: I do not recall that; I do not remember that.

Mr. BYRNE: This was essentially what they did. Do you know whether he applied to the Board of Transport Commissioners for that—

Mr. WRIGHT: I might tell you that in all candor I was not nearly as involved in railway matters then as I am today.

Mr. GIBBONS: You would have to apply to the Board of Transport Commissioners, but they would not be under any obligation under the existing legislation to apply to the Board of Transport Commissioners to discontinue or

curtail one part of their transeontinental service. Whether they did or not, we do not know.

Mr. BYRNE: I do know that in about ten days' time he came back on the air and simply announced that he was not going to withdraw the Continental. What took place in the meantime I would not hazard a guess.

Mr. GIBBONS: However he did say he was taking it off, and it is assumed that they probably did not go to the Board of Transport Commissioners. The C.P.R. did not go to the Board of Transport Commissioners in this application either.

Mr. BYRNE: This is what I am getting at. Is there any requirement in the Railway Act—

Mr. WRIGHT: No, there is no requirement under the Railway Act for the C.P.R. to go to the Board of Transport Commissioners for authority to discontinue. As I stated in my brief, it is my personal opinion that if it had not been for the public outcry, particularly in Western Canada, that the Dominion would have been gone and buried by this time; but it is only as a result of the public urging that took place that the Board of Transport Commissioners then, under the Railway Act, had the authority to stop the—

Mr. BYRNE: That is precisely what seemed to me to be the case. Having accepted that fact, they still were not required to act, except that public pressure demanded it, the board actually acted where it had authority, when it directed as you say on page 2, that public hearings were to be held to enquire into this matter; and also that the: "Canadian Pacific Railway Company shall continue to operate the present passenger service provided by the Dominion until the Board orders otherwise".

The Board had not the authority in the first place to move in or, conversely, the railway company is not required to apply to the Board. Was this a binding—

Mr. WRIGHT: Yes. Possibly the picture is not clear. The C.P.R. had the right, from the purely legal point of view, to discontinue the Dominion without the consent of the Board of Transport Commissioners.

Mr. OLSON: Just a minute, Mr. Chairman, a point of clarification. Are we talking about abandon or reducing service.

Mr. WRIGHT: Oh, yes, they were curtailing their services; that is right. But they had the authority to proceed on their own initiative without going to the Board of Transport Commissioners for approval. Under the Railway Act, however, the Board has the right of its own initiative to go into the matter and to issue interim orders as they did here and to deal with the matter definitively under Section 315 of the Railway Act. And it is in that posture that the matter came before the Board.

Mr. BYRNE: They had for several seasons reduced the service from—

Mr. WRIGHT: Ever since 1960.

Mr. BYRNE: Nineteen hundred and sixty until 1965. Do you not agree that when the Board made the ruling that they should operate the present passenger service, they were asking them to continue the service which they had been normally providing over the last five years. They, of course, had not taken any action previously. Now that they were asked to take action on complete abandonment of the service would they not insist that the railway keep on the full consist until they made a decision.

Mr. WRIGHT: I believe that the Board order means exactly what it says.

Mr. BYRNE: I suppose so, but I would think there would be some room for doubt that they were ruling on whether or not they could reduce the consist. I think that is a matter of opinion in any event.

Have the union representatives appeared at any time to support the railways when they were seeking rate increases and so on. You normally would not make representation to the Board, in the case of reduction in service—

Mr. WRIGHT: May I say this—and I think it ought to be said—when this matter was argued before the Board of Transport Commissioners counsel for the C.P.R., in final argument, took the position that it was the railway labour organizations who were behind this whole thing, and they placed this whole argument about the Dominion entirely at our —well they blamed us entirely for this. To say that was an unfair position for the C.P.R. to take is understating it enormously. I assure you that we do not have the influence to get the province of Manitoba, the province of Alberta, the province of Saskatchewan and the province of British Columbia to oppose the discontinuance of the Dominion; nor all of the municipalities, nor all of the other people who appear to oppose the discontinuance of the Dominion. I felt it was an unfair posture for the Canadian Pacific Railway to adopt. To put it bluntly, I thought it was rather dirty pool and the only reason I am mentioning it now is to anticipate a similar stand by the C.P.R. before you at any time in the future.

Mr. BYRNE: There is no question, there are more people than railways objecting to the discontinuance of the Dominion. This is certainly not an exaggerated statement. You have some pretty harsh words to say about the Board of Transport Commissioners in this particular application which leads me to believe that you have not a great deal of confidence in their—well, shall I say that they are not entirely unbiased in favour of the railways.

Mr. WRIGHT: What I attempted to do—

Mr. BYRNE: Do you feel that they did not go into the matter thoroughly enough and had not enough information to make this decision, or do you feel that it was an arbitrary decision.

Mr. WRIGHT: It did not take too much prescience on my part to realize that this question would probably be raised at these hearings. I would prefer to state my position in this way; if you accept my facts as being correct, and I ask you to accept them as being factually correct, then you must draw your own inferences. I refer to two things—the first step and the last step involved in these proceedings, that is, the proceedings before the Board of Transport Commissioners. You already have indicated, sir, that you do not share my view with respect to the first step. At least this is the way I understood it. I understood you to say that. I feel that the Board failed to enforce its order and apparently the C.P.R. must have known that that order would not be enforced against them. As a result of the Board's failure to enforce this order I feel that the public hearings conducted by the Board of Transport Commissioners caused this entire matter to be presented before the people of Canada in a wrong light.

The second factor that I put before you is that there was an amazing degree of efficiency on the part of the C.P.R. in implementing the Board's order. You do not just stop a transcontinental service within an hour or two. Let us be realistic about this. The Dominion was stopped out of Vancouver within an hour or two of the announcement of the Board's decision. I ask you to draw whatever

inferences you think may properly be drawn from that. I do believe, and this does not go to the matter of whether the Board is impartial or not; certainly I know the C.P.R. had some good things to say about the Board of Transport Commissioners. I simply say that the Board in their handling of this matter did not take into account factors without which an intelligent decision could not be made.

When you get one of the three members of the Board saying that he does not consider that the impact of this decision on the community, either the social or economic impact, are matters which ought to be considered and weighed by the Board and the other two members do not make any comment on that, but in fact do not deal with the economic or social impact on the community, then I say the decision is not a meaningful one.

You might find a municipality assuming debenture indebtedness without knowing that something like this was going to happen to them. It could have a very drastic effect.

Mr. BYRNE: It seems to me, if I recall correctly, you are not accepting the C.P.R.'s statement regarding the number of jobs that were lost.

Mr. WRIGHT: I do not accept them at all. They are unrealistic.

Mr. BYRNE: The figure that they gave was something like 88 and they distributed that right across the whole of Canada, which obviously could not have a very serious economic effect on the communities involved in this particular instance if this were so.

Mr. WRIGHT: There is not a single sleeping car porter included in the 88.

Mr. BYRNE: They are not employees who would normally be living in these small communities. They would be at one end or the other of the run.

Mr. WRIGHT: I was directing my comment to that figure of 88, the job loss of 88. The reason they were able to come up with that figure of 88 is that they gave you the job loss which would result from the discontinuance of the Dominion on the basis of the Dominion being the "Toonerville trolley" that I talk about, not on the basis of a transcontinental passenger train. Now what happened to all these sleeping car porters. They just disappear. They do not figure in the picture at all.

Mr. BYRNE: Speaking of the "Toonerville trolley", probably this would be the appropriate time to ask why this imaginary passenger would bother taking the old Dominion. If he was going from Montreal to Winnipeg, normally he would attempt to get on the Canadian where he would get better and more comfortable accommodation. So that really it was providing intercity transportation more than anything else.

Mr. WRIGHT: Maybe he could not get on the Canadian. Maybe he was getting on a stop at a terminal where the Canadian does not stop. There are any number of reasons why he could be on the Dominion instead of the Canadian, but I would agree with you, at first blush, a person would have to be desperate to take the Dominion.

Mr. BYRNE: I believe it was either Mr. Sinclair or Mr. Crump who predicted that the C.N.R. would lose approximately \$40 million this year in passenger traffic. Do you agree with that?

Mr. WRIGHT: That is based upon these variable costs. These do not represent losses based upon these variable costs.

Mr. BYRNE: So you do not agree with the estimate?

Mr. WRIGHT: Not at all.

Mr. BYRNE: Could you estimate the amount the C.N.R. would lose this year? Would you consider theirs was an estimate based on their methods for calculating losses?

Mr. WRIGHT: Or their method of separating the costs and allocating them against passenger service.

Mr. BYRNE: Well, I am interested in the amount that was given to the railway companies. This seems to be the big bone of contention all the time, this suggestion of cutting down the land grants on the \$25 million. This is something I should know, I suppose. I am wondering though when the homesteaders were granted their pre-emption—I believe they were called—across the prairies, did they carry with them their mineral rights, that is, the homesteader who moved on and took a quarter section of land?

Mr. WRIGHT: It is my understanding, although I am by no means sure of my ground here, that the mineral rights were reserved, were excluded.

Mr. BYRNE: I do not know.

Mr. CANTELON: They reserved mineral rights except for certain types of stone, I believe.

Mr. BYRNE: Is this the C.P.R. or the government, when land was homesteaded?

Mr. CANTELON: It is the C.P.R.

Mr. BYRNE: Homesteads were crown property, as I recall it. It was just a couple of years before my time. Did the mineral rights go with these homesteads?

Mr. WRIGHT: My understanding is that the mineral rights did not go with the homesteads, but I am not sure of that.

Mr. BYRNE: Probably on millions of acres of land there were mineral rights that went to individuals.

Mr. CANTELON: Is it not true that the provinces took over national resources? Once the provinces took them over the provinces kept them. But before that time they were vested in the federal government and I believe the federal government turned them over to the homesteaders.

Mr. WRIGHT: You are probably right. It is probably something I ought to know, but I do not.

Mr. BYRNE: Well, I am no lawyer, but I think it is conceivable that there were some fortunes made out of these oil and mineral rights, and so forth. Have you compared Canadian railway company plans with those in the United States. Would any of you have any idea of the number of transcontinental trains that operate in the United States?

Mr. WRIGHT: I do not know. Maybe Mr. Kelly or Mr. Gibbons knows.

Mr. BYRNE: Is it true that most of the planning for rapid transit on land is more lateral; that is north and south.

Mr. WRIGHT: I think this is true.

Mr. BYRNE: Mr. Chairman, that is all.

Mr. OLSON: I would just like to draw to Mr. Wright's attention Mr. Fraine's statement before the Board of Transport Commissioners in Calgary on October 12 to 13 where he said that no retaliatory action would be taken against any C.P.R. employees or former employees for providing information respecting railway services. Would you look at it and perhaps it will assist you in gaining information.

Mr. BYRNE: I intended to raise that question also. I think this would be very unfair. The railway company could be charged with unfair labour practices if a union man appeared and gave evidence. Would that not be true?

Mr. OLSON: I asked Mr. Fraine directly before the commission hearings if he would give an undertaking on behalf of the company that no retaliatory action would be taken against any employees or former employees because of their past privileges, if they provided information. You can look at it but my recollection is he gave an undertaking that no such retaliatory action would be taken.

Mr. KELLY: To be quite frank, Mr. Olson, we did talk to representatives on the reservation system because we felt that this would have a key bearing and we could not seem to convince the employees.

Mr. ORLIKOW: That is surprising.

Mr. OLSON: That is fine. I just wanted to refer you to that bit of the hearings.

The CHAIRMAN: Any other questions. If not, we will adjourn this meeting to the call of the Chair. You have something, Mr. Deachman?

Mr. DEACHMAN: Mr. Chairman, I think we should thank the witnesses who have been here today for attending three long sessions and for giving us the time that they have. Their testimony has been very valuable to us here today and I think most of us have gained much from it.

The CHAIRMAN: Thank you.

APPENDIX D

Public Law 89-220
89th Congress, S. 1588
September 30, 1965

AN ACT

To authorize the Secretary of Commerce to undertake research and development in high-speed ground transportation, and for other purposes.

High-speed ground transportation study.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That, consistent with the objective of promoting a safe, adequate, economical, and efficient national transportation system, the Secretary of Commerce (hereafter in this Act referred to as the "Secretary") is authorized to undertake research and development in high-speed ground transportation, including, but not limited to, components such as materials, aerodynamics, vehicle propulsion, vehicle control, communications, and guideways.

Demonstration program.

Sec. 2. The Secretary is authorized to contract for demonstrations to determine the contributions that high-speed ground transportation could make to more efficient and economical intercity transportation systems. Such demonstrations shall be designed to measure and evaluate such factors as the public response to new equipment, higher speeds, variations in fares, improved comfort and convenience, and more frequent service. In connection with contracts for demonstrations under this section, the Secretary shall provide for financial participation by private industry to the maximum extent practicable.

Sec. 3. Nothing in this Act shall be deemed to limit research and development carried out under the first section or demonstrations contracted for under section 2 to any particular mode of high-speed ground transportation.

Transportation data, collection.

Sec. 4. The Secretary is authorized to collect and collate transportation data, statistics, and other information which he determines will contribute to the improvement of the national transportation system. In carrying out this activity, the Secretary shall utilize the data, statistics, and other information available from Federal agencies and other sources of the greatest practicable extent. The data, statistics, and other information collected under this section shall be made available to other Federal agencies and to the public insofar as practicable.

Advisory committee, establishment.

Sec. 5. (a) There is hereby established in the Department of Commerce an advisory committee consisting of seven members who shall be appointed by the

Secretary without regard to the civil service laws. The Secretary shall designate one of the members of the Advisory Committee as its Chairman. Members of the Advisory Committee shall be selected from among leading authorities in the field of transportation.

(b) The Advisory Committee shall advise the Secretary with respect to policy matters arising in the administration of this Act, particularly with respect to research and development carried out under the first section and contracts for demonstrations entered into under section 2.

Common carrier employees.

Protective arrangements.

79 STAT. 893.

79 STAT. 894.

Sec. 6 (a) In carrying out the provisions of section 2 of this Act, the Secretary shall provide fair and equitable arrangements, as determined by the Secretary of Labor, to protect the interests of the employees of any common carrier who are affected by any demonstration carried out under a contract between the Secretary and such carrier under such section. Such protective arrangements shall include, without being limited to, such provisions as may be necessary for (1) the preservation of rights, privileges, and benefits (including continuation of pension rights and benefits) to such employees under existing collective-bargaining agreements, or otherwise; (2) the continuation of collective-bargaining rights; (3) the protection of such individual employees against a worsening of their positions with respect to their employment as a result of such demonstration; (4) assurances of priority of reemployment of employees terminated or laid off as a result of such demonstration; and (5) paid training or retraining programs. Such arrangements shall include provisions protecting individual employees against a worsening of their positions with respect to their employment as the result of such demonstrations which shall in no event provide benefits less than those established pursuant to section 5(2)(f) of the Interstate Commerce Act (49 U.S.C. 5). Any contract entered into pursuant to the provisions of section 2 of this Act shall specify the terms and conditions of Protective arrangements.

54 Stat. 905. Labor standards.

49 Stat. 1011; 78 Stat. 238. 40 USC 276a-276a-5.

(b) The Secretary shall take such action as may be necessary to insure that all laborers and mechanics employed by contractors or subcontractors in the performance of construction work financed with assistance of funds received under any contract or agreement entered into under this Act shall be paid wages at rates not less than those prevailing on similar construction in the locality as determined by the Secretary of Labor in accordance with the Davis-Bacon Act, as amended. The Secretary shall not enter into any such contract or agreement without first obtaining adequate assurance that required labor standards will be maintained upon the construction work. The Secretary of Labor shall have with respect to the labor standards specified in this

subsection, the authority and functions set forth in Reorganization Plan Numbered 14 of 1950 (15 F.R. 3176; 64 Stat. 1267; 5 U.S.C. 133z-15), and section 2 of the Act of June 13, 1934, as amended (48 Stat. 948; 40 U.S.C. 276c).

63 Stat. 108.

Contracts with public or private agencies.

Sec. 7. In exercising the authority granted in the first section and section 2 of this Act, the Secretary may lease, purchase, develop, test, and evaluate new facilities, equipment, techniques, and methods and conduct such other activities as may be necessary, but nothing in this Act shall be deemed to authorize the Secretary to acquire any interest in any line of railroad.

Sec. 8. (a) (1) In exercising the authority granted under this Act, the Secretary is authorized to enter into agreements and to contract with public or private agencies, institutions, organizations, corporations, and individuals, without regard to sections 3648 and 3709 of the Revised Statutes (31 U.S.C. 529; 41 U.S.C. 5).

(2) To the maximum extent practicable, the private agencies, institutions, organizations, corporations, and individuals with which the Secretary enters into such agreements or contracts to carry out research and development under this Act shall be geographically distributed throughout the United States.

79 Stat. 894. 79 Stat. 895.

(3) Each agreement or contract entered into under this Act under other than competitive bidding procedures, as determined by the Secretary, shall provide that the Secretary and the Comptroller General of the United States, or any of their duly authorized representatives, may, for the purpose of audit and examination, have access to any books, documents, papers, and records of the parties to such agreement or contract which are pertinent to the operations or activities under such agreement or contract.

60 Stat. 810.

(b) The Secretary is authorized to appoint, subject to the civil service laws and regulations, such personnel as may be necessary to enable him to carry out efficiently his functions and responsibilities under this Act. The Secretary is further authorized to procure services as authorized by section 15 of the Act of August 3, 1946 (5 U.S.C. 55a), but at rates for individuals not to exceed \$100 per diem, unless otherwise specified in an appropriation Act.

79 Stat. 895

Sec. 9. In exercising the authority granted under this Act, the Secretary shall consult and cooperate, as he deems appropriate, with the Administrator of the Housing and Home Finance Agency and other departments and agencies, Federal, State, and local. The Secretary shall further consult and cooperate, as he deems appropriate, with institutions and private industry.

Reports to President and Congress.

SEC. 10. (a) The Secretary shall report to the President and the Congress not less often than annually with respect to activities carried out under this Act.

(b) The Secretary shall report to the President and the Congress the results of his evaluation of the research and development program and the demonstration program authorized by this Act, and shall make recommendations to the President and the Congress with respect to such future action as may be appropriate in the light of these results and their relationship to other modes of transportation in attaining the objective of promoting a safe, adequate, economical, and efficient national transportation system.

Availability of information.

(c) The Secretary shall, if requested by any appropriate committee of the Senate or House of Representatives, furnish such committee with information concerning activities carried out under this Act and information obtained from research and development carried out with funds appropriated pursuant to this Act.

Appropriation.

SEC. 11. There are hereby authorized to be appropriated such sums as may be necessary to carry out the provisions of this Act, but not to exceed \$20,000,000 for the fiscal year ending June 30, 1966; \$35,000,000 for the fiscal year ending June 30, 1967; and \$35,000,000 for the fiscal year ending June 30, 1968. Such sums shall remain available until expended.

Termination date.

SEC. 12. Except for section 4, this Act shall terminate on June 30, 1969. The termination of this Act shall not affect the disbursement of funds under, or the carrying out of, any contract commitment, or other obligation entered into pursuant to this Act prior to such date of termination.

Approved September 30, 1965.

LEGISLATIVE HISTORY:

HOUSE REPORTS: No. 845 accompanying H. R. 5863 (Comm. on Interstate & Foreign Commerce) and No. 1017 (Comm. of Conference).

SENATE REPORT No. 497 (Comm. on Commerce).

CONGRESSIONAL RECORD, Vol. 111 (1965):

July 23: Considered and passed Senate.

Sept. 2: Considered and passed House, amended, in lieu of H. R. 5863.

Sept. 17: House agreed to conference report.

Sept. 20: Senate agreed to conference report.

APPENDIX E

SOME SUGGESTIONS FOR MODIFICATION OF THE
INTERSTATE COMMERCE COMMISSION'S RULES
GOVERNING THE SEPARATION OF RAILROAD
FREIGHT AND PASSENGER SERVICE COSTS

by

Stanley Berge

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In 1964 the U.S. Class I railroads received \$1,085,424,000, or a little more than 10 per cent of their total operating revenues, from the sale of passenger, mail, express and miscellaneous services rendered by passenger trains. While it was more than a billion dollar enterprise, passenger train service was thus only a relatively minor part of the primarily freight-carrying business of the American railroads.¹

During the ten years between 1954 and 1964 the passenger service revenues of the railroads were declining at the rate of less than two per cent per year. Despite this decline, it now appears that the life expectancy of passenger trains in the United States is greater than was visualized in 1958 by Examiner Howard Hosmer, of the Interstate Commerce Commission, who gave thought to the possibility that "the parlor and sleeping car service will have disappeared by 1965 and the coach service by 1970."²

Since there has not been a single year since World War II when the American railroads have not sold more than a billion dollars worth of passenger train services, and since their revenues from this source have been declining no more rapidly than two per cent per year, it cannot be said that the major U.S. railroads are making any very strenuous attempts to get out of the passenger business. It is only reasonable that poorly patronized trains whose revenues do not even cover out-of-pocket operating costs must be eliminated after every effort has been exhausted to improve their earnings. But well patronized passenger trains will certainly continue to be run by important freight carrying railroads. This makes good sense in view of the marginal or incremental nature of passenger train service on any railroad whose principal business is carrying freight, but whose freight-gearred plant is not being used to its full capacity.

²Passenger Service As a Marginal By-product

Anyone who has studied the economics of American railroads (even to the extent of wayside observations counting trains per hour passing in both

¹The Long Island Rail Road with 88 per cent and the New Haven with 44 per cent of total revenues from passenger service in 1964 are notable exceptions.

²Examiner's Proposed Report in Docket No. 31954, the I.C.C.'s *ex parte* investigation of the "Railroad Passenger Train Deficit," p. 69 (See also 306 ICC 417.)

directions on main line tracks) cannot help being impressed by their enormous unused capacity to produce transportation. Idle rails produce neither transport for the national economy nor revenues for the railroads.

Yet today many thousands of expensively built, expensively maintained and heavily taxed miles of the U.S. railroad network carry only a few hundred tons of freight, and no passengers, per mile of line per day—"a mere trace of business. At the other extreme are 22,500 miles of railway line classified as 'heavy density' routes. This 10 per cent of total mileage produced 300 billion ton-miles of (freight) service in 1953, or half of the national railroad total."³ In 1964 passenger trains were run on only 87,000 miles, or less than 40 per cent of the U.S. national network of railroad lines.

With so many miles of their national network idle so many hours every day, the U.S. railroads have only been able to produce about \$10 billions of gross transportation service revenues annually from their enormous plant, representing a net depreciated investment of approximately \$26 billions. Any business with an annual capital turnover of less than 40 cents per dollar of investment has every reason to do everything possible to increase its gross sales volume.⁴

Approximately two-thirds of the total net property investment in U.S. Class I railroads is represented by fixed property, such as roadway, track, bridges, signal systems, shops, yards and stations, the great bulk of which is needed for the provision of freight train service. Only one-third of their investment is represented by locomotives and cars (again largely for freight service) by means of which they may make their rails produce revenues.

Unlike a motor carrier or an airline, a railroad is faced with the very large *unavoidable* annual costs of its fixed plant, which for the most part represents "sunk" investment, meaning that it cannot be used for any other purpose or in any other location. In many ways a railroad is like a farm, a large part of the annual cost of which is relatively constant from year to year, and whose sunk investment may be poorly utilized or well utilized, depending upon the resourcefulness of the farmer.

Some farmers are satisfied to rest their fortunes on a simple one-crop policy, just as some railroads appear to be satisfied with a freight-only policy. Most mid-western farmers, however, whose basic crop is likely to be grain, find it desirable to *additionally* produce livestock, thereby increasing the utilization of their land and their labor and improving the profitability of their enterprise. In precisely the same fashion, many railroads, serving communities with potential passenger, mail and express traffic, find it desirable and profitable (directly or indirectly) to produce additional crops of passenger train traffic whenever they may thereby utilize idle capacity which will otherwise be wasted after production of their primary crop of freight traffic.

No by-product, such as passenger service on a freight railroad, or livestock on a grain farm, can be directly profitable however, unless it earns sufficient revenues to more than cover its marginal or incremental costs—which are those

³ John W. Barriger, *Super-Railroads for a Dynamic American Economy* (New York: Simmons-Boardman Pub. Corp., 1956) p. 7.

⁴ In this connection it is worth noting that Class I motor carriers of property have average a capital turnover of approximately \$5 per dollar of net investment in recent years.

costs that may be clearly *avoided* by not engaging in the production of the by-product during the period under consideration. Ordinarily the period involved in making such marginal cost and profit decisions is a year, but in special circumstances it may be a longer or shorter period of time.

Measurement of Marginal or Avoidable Costs

On the basis of the foregoing, it may be postulated that *the profitability of passenger service to any railroad whose principal business is carrying freight is best measured by the extent to which the revenues added by passenger service exceed the expenses which could be avoided by its elimination.*

The problem, therefore, is not to compare passenger train service revenues with fully distributed costs, nor even with long run variable costs, but instead with *short run variable directly assignable costs* calculated as accurately as possible on a year to year basis.

To this end, it is essential that the railroads employ various procedures for the collection, classification and analysis of data concerning specific revenues received and disbursements made in the operation of their business. For nearly a century efforts have been made to separate the revenues (a fairly simple matter) and the costs (more difficult) between freight and passenger train services.

History of Mandatory Cost Separation Procedures

Rules requiring the railroads to separate operating expenses between freight and passenger services originated with some of the State railroad commissions in the 1870's, prior to the inception of the Interstate Commerce Commission on February 4, 1887. While the reasons given to the railroads at that time for requiring them to regularly supply such cost separation information to the State commissions are not known today, it may be assumed that the institution of the separation had a bearing on the regulation of railroad freight rates, passenger fares and other charges by the States during a period when the railroads were relatively monopolistic.

After its establishment in 1887, the Interstate Commerce Commission first adopted the accounting and statistical rules as well as the annual report form then in effect for railroads reporting to the State commissions. The I.C.C.'s first form of annual report, for the fiscal year ended June 30, 1888, contained a schedule requiring the separation of the items of operating expenses between those "chargeable to passenger traffic" and those "chargeable to freight traffic." The report form called for apportionment of expenses not directly assignable to either of the services, on the basis of the ratios of train-miles in each of the respective services to the total train-miles.⁵

It is significant that as early as January 1889, the Association of American Railway Accounting Officers passed a resolution objecting to the Commission's original rule in the following words:

That in the compulsory enforcement upon the railways of the United States of such an arbitrary rule for the division of expenses the results

⁵ Reply of the National Association of Railroad and Utilities Commissions to the Interstate Commerce Commission's "Notice of Proposed Rule Making" dated April 5, 1957 (May 15, 1957, p. 3).

must in many cases differ materially from the facts, and will furnish misinformation if used as a guide to legislation or otherwise employed for any practical purpose.⁶

The Accounting Officers were not objecting to the separation of expenses directly assignable to freight and passenger services but to the arbitrary division of common expenses or "overhead costs" on the basis of a uniform statistical ratio.

Just three years later in 1892, even the State railway commissions, which had originated the mandatory separation of railway freight and passenger expenses back in the 70's, openly opposed the I.C.C.'s rules for the division of common costs as follows:

The test of actual practice fails to satisfy us that these rules are of any utility either to the companies, the states or the Nation . . . We know what results have been reached by the application of these rules for division, which are grossly erroneous not to say preposterous.⁷

By February 12, 1894, the Commission itself was sufficiently disenchanted with the original rule that the railroads were permitted to discontinue the separation.

Twenty years later, however, on June 13, 1914, the Commission reinstated the cost separation procedure on a more elaborate scheme, but essentially requiring the railroads to separate all operating expenses between freight and passenger service *by direct assignment so far as possible of those expenses solely related to each service and apportioning the remainder on prescribed bases.*⁸ In its annual report to Congress in 1915, the Commission explained why it was requiring the railroads to separate freight and passenger service expenses:

It is expected that this class of information will be of assistance not only in rare cases but also in making comparisons of changes in operating costs from year to year and among various railroads in a given year.⁹

The rules in effect in 1966 do not differ much from the procedure prescribed in 1914. The only changes have been in the bases for the apportionment of expenses not relating solely to either class of service. Since January 1, 1936, the railroads have been required to separate taxes, equipment rents and joint facility rents as well as operating expenses between freight and passenger service. Minor changes were made in the bases for apportionment of certain operating expenses in 1953 but were reversed in 1954.

In general, the present rules for apportionment provide that track maintenance expense shall be prorated between freight and passenger service on the basis of gross ton-miles of locomotives, cars, and contents (using an average weight of 150 pounds per passenger). Building and other structural maintenance expenses are to be apportioned according to the proportion of use by the passenger or freight services. Equipment repairs and servicing expenses are to be divided on the basis of proportion of use in freight or passenger services and

⁶ Association of American Railway Accounting Officers, *Proceedings*, January 24th and 25th, 1889, p. 26.

⁷ Quinn, W. J. G., General Statistician, Southern Railway Co., unpublished paper entitled "Separation of Railroad Operating Expenses Between Freight and Passenger Services, p. 6.

⁸ 30 ICC 672 (1914).

⁹ Interstate Commerce Commission *Annual Report*, 1915, p. 46.

for those in both services on the basis of the directly assigned expenses. Other expenses not directly assignable to either service are apportioned on various bases, often on the basis of the directly assignable expenses of the same nature. Taxes, not directly assignable, are apportioned on the basis of the separation of total operating expenses, except income taxes which are apportioned in accordance with the separation of net railway operating income before such taxes.¹⁰

Objections to Arbitrary Apportionments in the Cost Separation Rules

It should be understood that objections to the Commission's rules have always been primarily concerned with the arbitrary apportionment of the so-called "common expenses," such as maintenance of way and structures, which cannot be directly traced either to passenger service or to freight service. Joseph B. Eastman, Federal Coordinator of Transportation, writing his *Conclusions on Passenger Traffic* in June, 1936 (p. 21) states that the railroads in their report to the Coordinator had questioned the accuracy of cost breakdowns by classes of service because "arbitrary is piled upon arbitrary." The railroads had further informed him that "if passenger service were discontinued, a large portion of the cost assigned to it on this theory would remain and become part of the freight service cost." (Emphasis supplied)

Critics of the separation rules do not ordinarily oppose the first step called for in the procedure, namely, the direct assignment of expenses which are clearly traceable to either freight or passenger service. Such directly assigned costs have been characterized as "matters of fact," and the apportionments of common costs as "matters of opinion." Economist John Maurice Clark in his *Studies in the Economics of Overhead Costs* (1923) p. 14, expressed concern over the apportionment of costs which cannot be directly traced to given units of product as offering "great opportunities for the development of arbitrary and fictitious notions of cost . . . And, of course, the critical point is, after all, what the management does with the figures after it gets them."

During the 1950's, criticism of the arbitrary apportionment procedure in the ICC cost separation rules mounted. Fred G. Gurley, President of the Santa Fe, appearing before a subcommittee of the United States Senate July 27, 1950, referred to the "statistical deficit" resulting from "a formula produced by the staff of the Interstate Commerce Commission." Ernest S. Marsh (who succeeded Mr. Gurley as President of the Santa Fe) told the New York Society of Security Analysts on June 11, 1954 that "last year we had \$418,512 of bridge maintenance allocated against passenger service. Yet there isn't a bridge that could be done away with if we had no passenger trains."¹¹

In a public address November 18, 1954, Chairman Richard F. Mitchell of the Interstate Commerce Commission said, "Frankly, I do not agree with our figures. I think we have overstated the deficit to some extent, so I have cut it \$200 million . . ." By June 1955, in another address to members of the

¹⁰ Interstate Commerce Commission, *Rules Governing the Separation of Operating Expenses, Railway Taxes, Equipment Rents and Joint Facility Rents Between Freight Service and Passenger Service on Class I Line-Haul Railroads*, Jan. 1, 1953.

¹¹ In a letter to a New York firm of public accountants dated August 23, 1961, Mr. Marsh stated that "There is rather general agreement that the ICC formula is quite unsuitable for management purposes. Certainly no such formula can have general application to companies operating in different territories and faced with widely dissimilar traffic and service conditions."

Accounting Division of the Association of American Railroads he suggested that "the formula should be changed" and said that he was ready to cut another \$100 million from the railroad passenger service deficit as determined by the Commission's separation rules.

On January 19, 1955, the Association of American Railroads informed the Hoover Commission Task Force on Paperwork Management that the railroads were spending \$4,700,000 annually in the preparation of statistics required by the ICC. "Only \$1,700,000 of this total represented expense of preparing data required by railroad management, leaving \$3,000,000 attributable solely to ICC requirements." Particular objection was expressed regarding "the separation of common expenses between freight and passenger services" which they described as "burdensome and produces information of questionable value." By discontinuing the separation of common expenses they estimated the railroads could save \$270,000 a year.

ICC Investigation of the Separation Rules

On March 19, 1956, the Interstate Commerce Commission instituted a proceeding of investigation and inquiry on its own motion into and concerning the deficit from passenger-train service and allied services performed in passenger train operations. This investigation culminated in a report from the Commission dated May 18, 1959.¹²

As a separate phase of its passenger deficit investigation, the Commission gave "Notice of Proposed Rule Making" on April 5, 1957 and opened hearings on July 23 of that year dealing with the rules for separation of expenses between freight and passenger service (Docket 32141).

Recalling that the ICC separation procedure was originally adopted from State regulatory commission procedures in the 1870's, it is interesting to note the disaffection shown toward the present ICC separation rules by the National Association of Railroad and Utilities Commissioners in its reply to "Rules" investigation:

The Separation Rules . . . have no purpose other than use in the development of purely statistical information. Since this purely statistical information has resulted in such misuse and misunderstanding of the "Passenger Deficit," it would be appropriate for the Commission in this proceeding to reconsider the justification for such Separation Rules and need for their continuation.

The term "Passenger Deficit" as used in this connection *appears to the public* and others not acquainted with the rules under which the expenses are assigned, *as a total loss from operation of the passenger train service*. Nothing could be so wrong because its true meaning is that of a statistical fantasia.¹³ (Emphasis supplied.)

The Post Office Department opposed the allocation of common expenses to freight and passenger service "by any fixed formula." Its recommendation was that the Commission "prescribe specific rules and provide for uniform compliance for the separation of railroad expenses to (a) solely related or directly

¹² 306 ICC 417.

¹³ ICC Docket No. 32141. Statement dated May 15, 1957.

assignable to passenger service (b) solely related or directly assignable to freight service and (c) expense common to both freight and passenger service or to the railroad service as a whole."¹⁴

Arthur Anderson & Company, a firm of public accountants serving a number of Class I railroads, saw fit to make the following comments and recommendations:

No separation of costs can be more accurate than the factual basis used in making the separation. Because of differences in conditions existing on different roads, we question whether it is possible to establish inflexible rules that will accomplish the desired results. In our opinion, it would be preferable for the Commission to establish general bases to be followed but to permit any railroad to use other methods for the separation of any account or group of accounts where, because of conditions existing on that road, it was the opinion of the management that such other method produced a more equitable determination of cost of each service.¹⁵

Along the same line of reasoning, E. L. Tennyson, Transit Operations Engineer, City of Philadelphia, expressed the opinion that "the only practical method of analyzing operations is by estimate made from traffic checks and unit costs. Unit costs must not be system averages, but must be either actual cost records or precise estimates for a given situation. *Allocations for general overhead must not be included until a preliminary balance is drawn.* Incremental cost and incremental revenue are the salient items."¹⁶ (Emphasis supplied.)

Surprisingly, in view of the AAR recommendations in 1955 to the Hoover Commission Task Force, A. R. Seder, Vice President Accounting of the Association of American Railroads, in his statement submitted to the Interstate Commerce Commission on July 23, 1957, made no recommendation that the separation rules be changed so as to eliminate the arbitrary apportionments of common expenses. In essence, Mr. Seder stated that the ICC formula produced relatively accurate results for the purposes intended, although the formula could not show what costs would be avoided if passenger service were completely eliminated. He did suggest that the Commission could make the present separation rules more useful if it amplified some of the rules to eliminate the varying interpretations which now exist among the different roads.

In January, 1958, the Interstate Commerce Commission was ready with its decision—which was to retain the separation rules and continue the policy of statistically apportioning common expenses to freight and passenger services, a procedure to which it had been accustomed ever since the Commission was established in 1887 and which had changed very little since 1914:

We find that the present rules governing the separation of railroad operating expenses between freight and passenger services produce valid results, are adequate for the purpose for which they are intended, and require no modification.¹⁷

¹⁴ Letter to the ICC from A. M. Goff, General Counsel for the Post Office Dept.

¹⁵ Letter April 26, 1957 to Harold D. McCoy, Secretary, Interstate Commerce Commission.

¹⁶ Letter dated March 18, 1957 to the Secretary of the ICC.

¹⁷ 302 ICC 735.

Overstatement of Passenger Service Losses

It is curious that in its "Notes" appended to the January 1, 1953, issue of the separation rules the Commission makes a special effort to prevent misunderstanding with respect to the results obtained from their application:

Inasmuch as the amounts assigned and/or apportioned to the freight and passenger services, respectively, are based on the performance of both services, the operating expenses, taxes, equipment and joint facility rents assigned and/or apportioned to either service *may not represent the amounts that could be eliminated if either service were discontinued.* (Emphasis supplied.)

In other words, the Commission admits that passenger deficits resulting from the use of the separation rules *may not represent real losses*, such as could be avoided by eliminating the passenger services. One must not make the error of assuming that a "deficit" is a "loss"!

The problem is that too many persons do not understand the Commission's subtle distinction between deficits and losses. They are easily deluded by such *phantom deficits*, particularly when the Commission's own Bureau of Transport Economics and Statistics annually publishes such tabulations as the one below:

Freight and passenger service financial results, class I railroads¹⁸

Year	1954-1963 (millions)		
	Net railway operating income freight	Net railway operating income passenger (deficit)	Net railway operating income total
1954	\$ 1,543.1	\$ 669.5	\$ 874.0
1955	1,764.3	636.7	1,128.0
1956	1,764.7	696.9	1,068.2
1957	1,645.9	723.7	922.2
1958	1,372.8	610.4	762.3
1959	1,291.9	543.8	747.7
1960	1,069.0	485.2	584.0
1961	944.8	408.2	537.8
1962	1,119.2	394.0	725.7
1963	1,203.6	398.4	806.4

It is difficult to see how those unacquainted with the separation rules could avoid getting the impression that passenger services are seriously reducing the profitability of railroad operations. How can the uninitiated know that the passenger deficits are not real but mere "statistical fantasia"? Will they understand that complete elimination of passenger service could not possibly have increased the *total* net railway operating income in 1963 from \$806 million to \$1,203 million? The possibility of very misleading impressions is obvious. Is it

¹⁸ *Transport Economics*, May 1964, p. 5.

any wonder that a popular financial periodical published a tabulation similar to the one above in an article entitled, "Dragging Brake—Passenger Train Operations Pile Up Still More Red Ink."¹⁹

Not all were fooled, however, *Fortune*, in its June issue 1965 discussed the passenger service housecleaning efforts of the New York Central and Pennsylvania in recent years. Both railroads have been eliminating their most unprofitable runs and *Fortune* concludes that, "If only costs directly attributable to passenger trains are reckoned, almost surely the Central and possibly the Pennsy are more than breaking even on passengers." In direct reference to the results published by the ICC Bureau of Transport Economics and Statistics for 1964, *Fortune* said, "The deficit figures (\$35 million for the Pennsylvania and \$14 million for the Central) are not realistic, because the companies would be incurring much of the overhead now allocated to passenger trains if those trains were abolished."²⁰ This was almost identical with the conclusion reached by Vice President W. W. Patchell of the Pennsylvania Railroad who told the Accounting Division of the Association of American Railroads in June 1955 that "we cannot even consider the possibility of 'going out of the passenger business' because we would lose more than we would save..."²¹ (Emphasis supplied.)

Realistic Accounting for Railroad Passenger Service

From the foregoing it is clear that the major defect in the ICC rules governing the separation of freight and passenger service costs on the U.S. Class I railroads is the same defect that was criticized by the railroad accounting officers as far back as 1889 and has been critized by many other experts during the past 77 years. The major defect in the procedure is the arbitrary apportionment of common overhead costs to freight and passenger service on what might be called a "fair share" or "proportionate use of plant" basis. The fallacy of this procedure becomes obvious as soon as it is admitted that under present day conditions (regardless of the situation in 1887 or in 1914) passenger service can only be classified as a *by-product*, or secondary residual product, of the large U.S. Class I railroads. It can be produced by *utilizing plant capacity which would otherwise be wasted* after production of the freight service, which sets the standards for both physical characteristics and peak capacity on the major U.S. railroads today.

Following current generally accepted accounting principles, a *by-product*, such as passenger service, should only be charged with costs which can be unquestionably avoided by not engaging in its production. All common or joint costs should be charged against the primary product, which in the case of the U.S. Class I railroads is undeniably freight service. To do otherwise can only result in overstatement of passenger service costs and understatement of the costs of freight service.

The ICC separation rules now call for the accumulation and classification of all operating expenses, taxes and rents clearly traceable or "solely related" to freight service and to passenger service, respectively. Unfortunately, though, a balance is not drawn at this point before proceeding to apportion common

¹⁹ *Barron's*, Sept. 27, 1954.

²⁰ *Fortune*, "The World's Biggest Merger," June, 1965, p. 208.

²¹ Association of American Railroads, Accounting Division, *Railway Accounting Officers 69th Report*, June 1955.

overhead costs. To illustrate, the *78th Annual Report on Transport Statistics in the United States for the Year Ended December 31, 1964* issued by the Interstate Commerce Commission shows (on page 82) that against passenger and allied service revenues of \$1,085 million the *total assigned and apportioned* operating expenses, taxes and rents amounted to \$1,495 million, resulting in a passenger service deficit of \$410 million. This is the "statistical deficit" to which Mr. Gurley of the Santa Fe referred in 1950 and which Commissioner Mitchell of the ICC thought might be overstated by a few hundred million dollars in 1955.

Suppose, however, that instead of giving wide publicity to the statistical deficit, the Commission and its Bureau of Transport Economics and Statistics would first draw a balance for freight and for passenger service after charging each service with the best factual evaluation obtainable to measure the avoidable costs of each service on a year to year basis. In 1964 the Commission's own separation rules indicate that the total operating expenses "solely related" to passenger service amounted to only \$1,040 million, thus leaving a margin of \$45 million to be applied to overhead costs. Freight service revenues of \$8,769 million, after deduction of operating expenses "solely related" to freight service amounting to \$4,499 million, left a margin of \$4,270 million—a far better result than was obtained by the passenger service, but freight, of course, is the primary product and should therefore not only produce sufficient revenues to cover its marginal directly assignable costs but must, in addition, be able to absorb all of the overhead costs incurred in the operation of the railroads. This it did in 1964 and the railroads were able to report a net railway operating income of \$818 million from all phases of their business.

At this point it should not be concluded that Class I Railroads passenger service in 1964 produced a "profit" of \$45 million. Again, by reference to the information produced by the separation rules, we find that tax accruals directly assignable or "related solely to passenger and allied services" amounted to \$43 million and that net rents payable for equipment and joint facilities "solely related to passenger and allied services" amounted to approximately \$21 million. These avoidable costs (assuming that they are really avoidable) more than absorbed the \$45 million margin after directly assigned operating expenses, leaving a net loss of \$19 million from Class I railroads' passenger and allied services in 1964. Thus, whole individual trains and individual railroads may have made a profit on the basis of short run marginal costs, the over-all passenger train services of the Class I railroads in 1964 failed to break even by \$19 million. But a \$19 million "loss" is a far cry from the \$410 million dollar "deficit" reported by the Commission for the year 1964. It would appear that Commissioner Mitchell was right when he expressed the feeling that the "formula" was exaggerating the true losses by hundreds of millions of dollars!

Suggestions for Modification of the Rules

Accounting and statistics in transportation, as in any other business, are not ends in themselves but should be useful tools for the making of sound business decisions and public policies. The U.S. railroad industry, long subject to public regulation, is one of the busiest collectors and recorders of statistical and accounting data under the sun. But neither the management of the railroad industry nor the government can afford to be tolerant with the accumulation of

information which is of doubtful usefulness and is known to be misleading. This is not only wasteful but can very easily lead to unwise managerial and governmental decisions.

As stated very well by Vice President W. W. Patchell of the Pennsylvania Railroad, "What we need is not mere historical and general records, but *alive* and *judgmental-type* information—current, pin-pointed, accurate and organized information that will give those who need it a series of specific pictures—pictures that will build into an over-all picture of any segment of the business as it exists at any particular time."²²

With this objective in mind it is suggested that the Interstate Commerce Commission should give prompt consideration to the modification of its present rules governing the separation of operating expenses, taxes, equipment rents and joint facility rents between freight service and passenger and allied services of the Class I railroads.

The objective of more accurately measuring the respective costs and profitability of freight and passenger train services can only be achieved by permitting *each railroad to make its own special studies to determine the specific elements of its net investment in fixed plant facilities and the specific portions of common overhead expenses which could be avoided by discontinuance of passenger and allied services*. Such expenses, when added to the expenses solely related to passenger and allied services, will provide a far more accurate measure of their short run marginal or incremental cost.

Under such a costing procedure, the reported passenger service deficit, in most cases, will be only a fraction of the widely publicized passenger service deficits which result each year from the use of the present ICC separation procedures for the apportionment of common overhead costs. At the same time a more accurate determination will be made of the freight service costs, which will continue to be relevant to the measure of reasonable freight rates and determination of freight service policies.

Essentially the changes suggested in the separation rules are as follows:

- (1) Separate operating expenses, taxes, equipment rents and joint facility rents solely related to passenger and allied services.
- (2) Separate common expenses, *on the basis of special studies*, which are deemed to be avoidable if passenger and allied services were to be discontinued.
- (3) Separate operating expenses, taxes and rents solely related to freight service.
- (4) Record and report all other common expenses attributable to either freight service or to passenger and allied services.
- (5) Record and report all operating expenses, taxes, equipment rents and joint facility rents attributable to neither freight service or to passenger and allied services.

While the above suggested modification of the separation rules should accomplish much in the direction of producing useful information for managerial and regulatory purposes, it is also believed essential to modify the

²² Railway Accounting Officers 69th Report, June 1955, p. 13.

"Uniform System of Accounts" in such a way as to permit more accurate pin-pointing of expenses attributable to "*suburban commuter passenger service*" and to "other passenger and allied services." It is therefore recommended that, in the accumulation of revenue and disbursement data for reporting in the specific accounts described in the uniform system of accounts, a breakdown be made between data applicable to "*suburban commuter passenger service*" and "*all other passenger service*." It may also be desirable to consider the more accurate pin-pointing of expenses chargeable to "*passengers in coaches*" and "*other passengers*" and to major times of allied services such as *mail and express*.

With railroad managements, governmental agencies and others clearly needing more accurate information on both the costs and revenues of railroad suburban passenger services, it should be fairly obvious that improved accounting and statistical controls would be of great and far reaching benefit to all concerned—management, labor, government, and most of all the public. Good private and public policies can only be made on the basis of good up-to-date information relevant to the decisions which must be made.

HOUSE OF COMMONS

First Session—Twenty-seventh Parliament
1966

STANDING COMMITTEE

ON

TRANSPORT AND COMMUNICATIONS

Chairman: Mr. JOSEPH MACALUSO

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 7

THURSDAY, MARCH 24, 1966

Respecting

The subject-matter of the adequacy of the present program and future plans for passenger service on the lines of the Canadian Pacific Railway.

WITNESSES:

Their Worships Mayors: L. H. Lewry, Moose Jaw, Saskatchewan; S. Magnacca, Brandon, Manitoba; V. Keen, Swift Current, Saskatchewan; H. Henderson, Portage La Prairie, Manitoba.

Aldermen: From Portage La Prairie, Manitoba: Messrs. A. R. Barrett and W. Linden; C. C. Williams, Regina, Saskatchewan; R. J. Wiedemann, Medicine Hat, Alberta; Mark H. Danzker, Winnipeg, Manitoba.

Industrial Commissioners: Messrs. A. N. Gunter, Medicine Hat, Alberta and N. Bergman, Brandon, Manitoba.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1966

STANDING COMMITTEE
ON
TRANSPORT AND COMMUNICATIONS

Chairman: Mr. Joseph Macaluso

Vice-Chairman: Mr. Gustave Blouin

and Messrs.

Allmand	Fawcett	Pascoe
Andras	(⁷)Honey	Rapp
Bell (<i>Saint John-</i> <i>Albert</i>)	Horner (<i>Acadia</i>)	Reid
Byrne	Lessard	Rideout (<i>Mrs.</i>)
Cantelon	McIntosh	Rock
Carter	Olson	Sherman
Deachman	Orlikow	Southam
	Ormiston	Tolmie—(25)
	(Quorum 13)	

Maxime Guitard,
Clerk of the Committee.

(⁷)Mr. Hymmen replaced Mr. Honey, on March 23, 1966.

ORDER OF REFERENCE

WEDNESDAY, March 23, 1966.

Ordered,—That the name of Mr. Hymmen be substituted for that of Mr. Honey on the Standing Committee on Transport and Communications.

Attest.

LÉON-J. RAYMOND,
The Clerk of the House.

MINUTES OF PROCEEDINGS

THURSDAY, March 24, 1966.

(14)

The Standing Committee on Transport and Communications met at 10:30 a.m. this day. The Chairman, Mr. Macaluso, presided.

Members present: Mrs. Rideout and Messrs. Bell (*Saint John Albert*), Byrne, Cantelon, Carter, Deachman, Fawcett, Hymmen, Horner (*Acadia*), Macaluso, McIntosh, Olson, Orlikow, Ormiston, Pascoe, Rapp, Reid, Sherman, Southam, Tolmie-(20).

Also present: Messrs. Dinsdale, Kindt, Lewis, Walker, Harkness.—(5)

In attendance: Their Worships Mayors: H. Henderson, Portage la Prairie, V. Keen, Swift Current, S. Magnacca, Brandon, Louis H. Lewry, Moose Jaw.

Aldermen: C. C. Williams, Regina, Mark H. Danzker, Winnipeg, A. R. Barrett, Portage la Prairie, W. Linden, Portage la Prairie, Roy J. Wiedemann, Medicine Hat.

Industrial Commissioners: A. N. Gunter, Medicine Hat, N. Bergman, Brandon.

The Chairman opened the meeting and read the First Report of the Steering Subcommittee on Agenda and Procedure, dated March 9, 1966.

STEERING SUBCOMMITTEE ON AGENDA AND PROCEDURE

WEDNESDAY, March 9, 1966

FIRST REPORT

The Subcommittee on Agenda and Procedure of the Standing Committee on Transport and Communications met at 1:00 o'clock this afternoon. The Chairman, Mr. Macaluso, presided.

Members present: Messrs. Cantelon, Horner (*Acadia*), Olson, Orlikow (5).

Your Committee agreed unanimously to the following decisions and recommends:

1. That on Tuesday, March 15, 1966, Mr. J. F. Walter, Assistant Grand Chief Engineer and National Legislative Representative, be heard by this Committee.

2. That on Thursday, March 17, 1966, a delegation from the Canadian Railway Labour Executives' Association appear before this Committee and be heard.

3. That the Clerk of the Committee be hereby instructed to write a letter to their worships Mayors: Louis H. Lewry, Moose Jaw; S. Magnacca, Brandon; H. Baker, Regina; V. Keene, Swith Current; H. Henderson, Portage la Prairie; V. Leslie, Calgary; C. Day, Kamloops; E. L. Carver, Kenora; and ascertain whether it would be agreeable for them to appear and be heard by this Committee on either March 22, March 23 or March 24, 1966.

4. That the Clerk of the Committee write a letter to Mr. Ray Atkinson, President of the Saskatchewan Farmer's Union and ascertain whether any day of the last week of this month would be a convenient time for them to appear before this Committee.

5. That the Clerk of the Committee write a letter to the Secretary of State requiring the production of the following documents:

- (1) Latest financial statements and schedules respecting Canadian Pacific Investments Limited.
- (2) Balance sheet.
- (3) List of securities held and investments in securities of controlled companies.
- (4) Capital structure.
- (5) Income from dividends and equity in profit and loss affiliate.
- (6) Statement of schedules required:
 - (a) Amounts due from directors, officers and principal holders of equity securities other than affiliates.
 - (b) Indebtedness of Affiliates—Not current.
 - (c) Property, Plant and Equipment.
 - (d) Reserves for depreciation, depletion and amortization of property, plant and equipment.
 - (e) Intangible assets.
 - (f) Reserves for depreciation and amortization of intangible assets.
 - (g) Bonds, mortgages and similar debt.
 - (h) Indebtedness to affiliates—Not current.
 - (i) Guarantees of securities of other issuers.
 - (j) Reserves.
 - (k) Warrants or rights.
 - (l) Other Securities.
 - (m) Supplementary profit and loss information.

At 1:45 o'clock p.m., the Subcommittee adjourned.

Respectfully submitted,

Joseph Macaluso,
Chairman.

Thereupon on motion of Mr. Fawcett, seconded by Mr. Olson,

Resolved unanimously,—That the First Report of the Steering Subcommittee on Agenda and Procedure be adopted as read.

The following letters were also read by the Chairman; namely:

(a) One from Mr. Miquelon, Deputy Registrar General, to the Clerk of the Committee;

(b) Another to Mr. C. W. Rump, Secretary of the Board of Transport Commissioners, from the Clerk of the Committee.

On motion of Mr. Reid, seconded by Mr. Southam,

Resolved unanimously,—That the Committee adjourn for ten minutes.

On reassembling, the Committee resumed consideration of the adequacy of the present program and future plans for passenger service on the lines of the Canadian Pacific Railway, and welcomed the delegates introduced by the Chairman.

Then His Worship Mayor Lewry of the City of Moose Jaw, Saskatchewan, was invited to present a combined brief on behalf of the following cities: Winnipeg, Manitoba, Brandon, Manitoba, Portage la Prairie, Manitoba, Regina, Saskatchewan, Moose Jaw, Saskatchewan, Swift Current, Saskatchewan, Medicine Hat, Alberta, Calgary, Alberta, before being questioned thereon.

Thereupon, on motion of Mr. Bell (*Saint John Albert*) seconded by Mr. Carter,

Resolved unanimously,—That the combined brief, presented by His Worship Mayor Lewry, be printed as an appendix to this day's Minutes of Proceedings and Evidence. (*See appendix F*).

In his turn, His Worship Mayor Henderson, of the City of Portage la Prairie, Manitoba, made his representations on behalf of the City of Portage la Prairie and was examined thereon.

Thereupon, on motion of Mr. Pascoe seconded by Mr. Cantelon,

Resolved unanimously,—That the brief presented by His Worship Mayor Henderson, on behalf of the City of Portage la Prairie, Manitoba, be printed as an appendix to this day's Minutes of Proceedings and Evidence. (*See appendix G*).

His Worship Mayor Magnacca, of Brandon, Manitoba presented two briefs: one on behalf of the City of Regina, Saskatchewan and another on behalf of the City of Brandon, Manitoba, and was questioned thereon.

On motion of Mr. Cantelon, seconded by Mr. Carter,

Resolved unanimously,—That the brief submitted on behalf of the City of Regina, Saskatchewan be printed as an appendix to this day's Minutes of Proceedings and Evidence. (*See appendix H*).

On motion of Mr. Southam, seconded by Mr. Reid,

Resolved unanimously,—That the brief submitted on behalf of the City of Brandon, Manitoba be printed as an appendix to this day's Minutes of Proceedings and Evidence. (*See appendix I*).

On motion of Mr. Orlikow, seconded by Mr. Reid,

Resolved unanimously.—That each member of the Committee should be allowed only ten minutes to question the witnesses. This limitation to be in effect for this day's sitting only.

His Worship Mayor Lewry expressed his gratitude to the Committee, on behalf of the delegation.

Mr. Cantelon joined with the Chairman of the Committee to thank the delegation of Western Mayors for coming to Ottawa.

At 1:00 o'clock p.m. on motion of Mr. Deachman, seconded by Mr. Byrne, the Committee adjourned to the call of the Chair.

Maxime Guitard,
Clerk of the Committee.

EVIDENCE

(Recorded and Transcribed by electronic apparatus)

(10:30 a.m. to 11:30 a.m.)

THURSDAY, March 24, 1966.

The CHAIRMAN: At the moment the delegation of mayors is meeting with Mr. Pickersgill and other members of the Cabinet in Mr. Pickersgill's office. They should be with us shortly, but I think that we should proceed.

Some of the matters mentioned in the steering committee report have already been dealt with. The representatives of the Brotherhood of Locomotive Engineers and the Canadian Railway Labour Executive Association have been heard. We have, of course, correspondence with the mayors of the various western cities who will be meeting with us today; the Saskatchewan Farmers' Union has telephoned us. But before going into this I would ask for some motion to adopt the minutes of the subcommittee.

Mr. FAWCETT: I so move.

Mr. OLSON: I second the motion.

Mr. McINTOSH: Has the C.P.R. provided us with any of the information that we requested when they appeared before the committee such as the list of holdings that they deposited with the security—

The CHAIRMAN: That could be discussed after this is adopted, Mr. McIntosh.

Mr. CARTER: You have written a number of letters to the C.P.R. requesting bits and pieces of information.

The CHAIRMAN: Not to the C.P.R.; to the Secretary of State. Some of these matters have already been tabled by the government and we will go into that.

Mr. OLSON: Mr. Chairman, the request for this schedule of documents is from the information that is in the department of the Secretary of State and not a request directly to the company.

Mr. CARTER: Could I ask if the request was to write to the company to get the kind of information that was indicated by Mr. Wright's brief?

The CHAIRMAN: He undertook to provide it for us and they did agree to provide the first document. The clerk will be writing to the C.P.R. to provide us with that information.

Mr. CARTER: Have we asked for the difference between what they call a deficit and what they actually would save by eliminating this Dominion?

The CHAIRMAN: This is another field, Mr. Carter; this is the field of cost analysis. We are requisitioning before us the cost analyst of the transport commissioners and the subcommittee has also dealt with the matter of retaining independent cost analysts to go into this matter.

Right now, we are speaking of other documents.

Motion agreed to.

Mr. McINTOSH: My question is similar to the one asked by Mr. Carter. The C.P.R. officials agreed to provide us with certain information, certain documents. Have they done so yet?

The CHAIRMAN: We have not received them yet, I am informed by the clerk. The clerk will write to them to send to us the documents which they have agreed to provide for our use.

Mr. McINTOSH: May I ask, Mr. Chairman, that we be provided with those documents as soon as they are received so we will have a chance to study them before the officials appear before us again.

The CHAIRMAN: Well, we have officials of the C.P.R. with us here today, and I am sure that they will take this message back to the powers that be. We will have the clerk write today, Mr. McIntosh.

I am informed by the clerk that the Saskatchewan Farmers' Union is going to make a representation to this committee. They wish to appear on April 7, but I advised the clerk to advise them that in view of arrangements which are now going on as far as adjourning for Easter is concerned, it would be quite impossible for us to give them a day until perhaps in the last week in April or early in May. As soon as we have some definite dates available we will advise them in order to give them an opportunity to appear before us. If that meets with your approval we will have the clerk write to them to that effect.

Mr. McINTOSH: Mr. Chairman, the steering committee is here listening and you can tell us what they say.

The CHAIRMAN: I doubt whether the steering committee will free the Chair!

While we are waiting, perhaps I could read the letter that was forwarded to Mr. M. J. Hartney, Director of the Secretariat and Registration Branch of the Secretary of State's office by the clerk on behalf of the committee. Perhaps we can have it printed as an appendix to the proceedings of the committee.

Pursuant to a meeting of the Standing Committee on Transport and Communications, the Chairman instructed me to request from you, at your earliest convenience, possibly before the next meeting scheduled for 9.30 a.m. on Tuesday, March 15, 1966, on behalf of the committee, the production of the following documents.

And they are the same as I read from the subcommittee's first report.

A reply was received on March 14, 1966, from the Deputy Registrar General, Mr. Jean Miquelon, stating as follows:

Dear Mr. Guitard,

I am referring to our telephone conversation of today in connection with your letter dated March 10, 1966, addressed to Mr. M. J. Hartney, Director of the Secretariat and Registration Branch, asking, on behalf of the Chairman of the Standing Committee on Transport and Communications, for the production of a series of documents relating to the Canadian Pacific Investments Limited, for your committee meeting to take place on Tuesday, March 15, 1966.

I would like to bring to your attention the fact that there has been, since January 12, 1966, in the Orders of the Day, a notice of motion by Mr. Knowles ordering the production of 'a copy of a return showing all information relating to financial transactions, assets (including investment portfolio details), liabilities, et cetera, of Canadian Pacific Investments Limited, filed or deposited with the Companies and Corporation Branch of the Department of the Secretary of State during the last five years'. This motion is still to be acted upon.

In connection with this motion, in a memorandum to the Secretary of State, date February 7, 1966, I outlined the views of the Director of the Corporations Branch, which I endorsed, strongly objecting to the production of these documents on the grounds that such information is of a confidential nature and not for public information.

It might be of some interest to you to know that Mr. Knowles' request no doubt stems from a question put by Mr. Knowles asking which department or departments, if any, are in possession of copies of documents containing information filed by Canadian Pacific Investments Limited with the United States Securities and Exchange Commission at Washington. This question was answered by the Parliamentary Secretary to the Prime Minister, Mr. Matheson, on February 2, 1966 (Hansard—page 573) as follows:

The Privy Council office and the Department of Finance have in their possession copies of documents containing information filed by Canadian Pacific Investments Limited with the United States securities and exchange commission in Washington.

In view of the foregoing, I suggest that the documents that you are requiring will be made available to the House of Commons if and when the government complies with the above House Order. For this reason, I do not believe that it would be proper for this department to comply with your request, under the present circumstances,

Yours truly,
Jean Miquelon.

Those documents have now been tabled in the House, and therefore they are available to all members of the committee and we are going to have two copies made for distribution to this committee.

Gentlemen, I am still waiting for the mayors, I thought by now they would be here. If it is your pleasure to bring anything else up before they arrive or to adjourn until they arrive—you may do so, because we are only sitting until 1 o'clock today.

Mr. McINTOSH: Mr. Chairman, I have another meeting at 11.00 o'clock.

The CHAIRMAN: I do feel that we did tell the mayors we would sit until 1:00. Now it is not their fault that they are late. They are meeting with a committee of the Cabinet at the present time.

Mr. McINTOSH: So that we may have a quorum—we should make an appearance at this other meeting—we may possibly drop back here.

The CHAIRMAN: Perhaps we can learn from the minister's office how long they will be.

Mr. BELL (*Saint John-Albert*): I am prepared to wait.

Mr. OLSON: Mr. Chairman, have you been in contact as the Chairman or has the secretary of the committee contacted any cost accounting firms, and has there been any response to any overtures in this direction so that we could have some—

The CHAIRMAN: Pursuant to the meetings that we had with the subcommittee on agenda and procedure, Mr. Olson, you and Mr. Orlikow have handed to me names of some independent cost analysts. I have discussed this matter with the minister and he is not opposed. He is in favour of having such analysts come before this committee. He does feel that we should, of course, examine the cost analysts of the Board of Transport Commissioners and we have a letter to that effect which I will read to you.

We are now compiling a list of names of independent cost analysts that appeared before the MacPherson Royal Commission and it is my intention to discuss this list with the minister and then bring it before the subcommittee again, I hope, before the end of this week.

Mr. OLSON: I would hope, Mr. Chairman, that there is some determination made in this respect so that we can get these individuals or firms working on it because after all it is going to take them some time to do an analysis of these variable costs, and we are not going to drag out these meetings for months. We should get them working on it now because there is a great deal of preparation that will have to go into it.

The CHAIRMAN: Well, you can understand the difficulties which we encountered, which I have related to the committee. I do have a list available to me now, and I will be presenting it to the minister, if I can, this afternoon; if not, tomorrow morning. It is a matter of contacting these people to find out if they will be available.

I have a letter dated March 22, 1966, to Mr. C. W. Rump, Secretary to the Board of Transport Commissioners, Union Station Building, Ottawa.

Dear sir:

The Chairman of the Standing Committee on Transport and Communications has instructed me to convey to you the desire of the Committee to examine the cost analysis of the Board of Transport Commissioners with respect to the costs of the "Dominion" and the "Canadian" passenger trains of the Canadian Pacific Railway, if, indeed, these figures are available.

The Committee would also appreciate very much if you would let me know, at your earliest convenience, the most appropriate date for you to appear before this committee.

Yours truly,

Maxime Guitard,
Clerk of the Committee.

We hope to have a reply from them very shortly, and we thought it best to deal both with the "Dominion" and the "Canadian" costs. We can have the Board of Transport Commissioners bring it over to us. We have already been advised by the C.P.R. officials when they were here that they would make their working papers available to us on the "Dominion". We will have to find out if the "Canadian" costs are available to us.

I would suggest that we should adjourn for about 10 minutes until the mayors are available.

Mr. OLSON: One other thing: I wonder if there would be any value, after we have decided which firm we are going to engage for this purpose, in having someone from that firm appear before the committee perhaps to give some guidance to him as to the information we require.

The CHAIRMAN: We will adjourn for 10 minutes.
After recess.

● (11.00 a.m.)

The CHAIRMAN: I would like to draw the committee's attention to the fact that we rose for only ten minutes. We had a quorum to begin with so we will commence and I will keep one eye closed. I would like to introduce to you the worthy delegation we have before us. I do not necessarily have the gentlemen in order but as I introduce them, I would ask them to kindly stand up. His Worship Mayor H. L. Henderson of Portage La Prairie, Manitoba; His Worship Mayor D. J. King of Swift Current; His Worship Mayor Stephen A. Magnacca of Brandon, Manitoba, His Worship Mayor L. H. Lewry of Moose Jaw; Alderman R. J. Wiedemann of Medicine Hat; Alderman C. C. Williams, of Regina; Mr. A. N. Gunther, Industrial Commissioner, Medicine Hat; Alderman Danzker, Winnipeg, Alderman A. R. Baird, Portage La Prairie, Alderman W. Linden, Portage La Prairie, Mr. N. Bergman, Industrial Commissioner, Brandon.

Gentlemen, we are pleased to have you with us today and we finally were able to make arrangements to have you come and see us. Mayor Lewry will be the spokesman for the delegation. A combined brief has been submitted which you have before you; this is a combined brief of the cities of Winnipeg, Brandon, Portage La Prairie, Regina, Moose Jaw, Swift Current, Medicine Hat and Calgary. We will have Mayor Lewry go through the brief; we also have a brief from the city of Portage La Prairie to be presented by Mayor Henderson. He will not read that brief but will give some comments and answer any questions asked on the brief. We will deal first with the combined brief. I am advised we have one from Brandon as well. We will have that handed out to the committee as soon as possible. We will deal first with the combined brief, gentlemen. Mayor Lewry.

Mayor LEWRY: Mr. Chairman, Mrs. Rideout and gentlemen, we thank you sincerely for this opportunity to present our views to you this morning and I apologize on behalf of our committee members. The Minister of Transport kept us longer than we expected and we apologize for keeping you waiting. We submit to your committee the following points:

1. We represent the municipal authorities of the cities bordering on the main line of the Canadian Pacific Railway from Calgary to Winnipeg.

2. We believe that adequate transportation facilities are not only an amenity of an expanding urban society but also are the very essence of necessity for our economic survival as cities.

3. The discontinuance of the Dominion as a passenger transportation service was only one aspect of the much larger problem of transportation facilities, and we wish to direct our comments in the main to the larger problem.

4. We believe that transportation is of a more vital nature than a public utility, and the question of cost is not the sole or main criterion for any decision affecting transportation.

5. We wish to appeal more than a single board ruling: We wish to appeal, the Board of Transport Commissioners as it now operates. This is, we feel, our reason for coming and we take this position for the following reasons:

(A) The adversary system of hearings as now used by the Board of Transport Commissioners, is weighted against a decision based on all the facts. As an example, a city does not accept the losses reported by the Canadian Pacific Railway on a request to abandon a branch line or close a station. In theory, the city can cross-examine witnesses and present its own evidence and views. The position the city finds itself in is that the only evidence is the evidence of the C.P.R., which has been carefully prepared by C.P.R. personnel who have had the specific task of proving great losses. The city is limited to the contention that the decision to discontinue has been reached months, or even years, in the past and the C.P.R., in the interval, literally made its own case from the time of their decision up to the time of the hearing. These contentions cannot be documented to the extent of the case by the C.P.R. The only hard, cold, alleged facts before the Board is the C.P.R. evidence, and the decision usually is to go along with the C.P.R. request. To be specific, our representatives feel that there is absolutely no doubt in their minds that the C.P.R. downgraded the "Dominion" before the application to the Board. The Railway Act that the Commission is operating under is outdated. Proposed changes based on the Macpherson Royal Commission are now, outdated even though these proposals would be updating. The Board of Transport Commissioners often does not take into account considerations other than railway economic considerations, specifically excluded in the Board's judgment on the discontinuance of the "Dominion". As an example of this we quote the Freedman Report on the run through controversy.

6. The arguments based on the contractual relations between the Government of Canada and the C.P.R. (1880-1888) have, no doubt, been more forcefully presented to you than we are able to present them, but we fervently believe that these arguments are as valid in 1966 as they were in 1881. We believe it to be inconsistent for the C.P.R. to continually request that they be allowed to limit the burdens placed by the contract, but will continue to reap the benefits. In our view, the contract is an entire contract and not severable as to stations, branch lines or services that do not pay, and mineral rights, hotels and other investments that do pay.

7. In the past, the Canadian Pacific Railway has met the challenge of covering its losses by developing the resources given in 1881, by diversification, hotels and steamships, et cetera. The C.P.R. has even gone into the governmental

function of colonization. At that time, they saw the C.P.R. as a whole complex with one aspect, dovetailing another for the purposes of a profit or minimized loss on the over-all picture. Today, each little branch line, rural station or service must pay for itself in their view. We object to this attitude, and believe a good deal of the present financial position of the C.P.R. is based on profits that originated in western Canada, whether from mineral rights, land sales or their other endeavours. We believe the C.P.R. has a duty, not only to its shareholders but to the nation. A quick look at the market will indicate that the Company has done well for its shareholders. We feel the Government should see that it does well for Canada.

8. The C.P.R. and past governments have not gone along with the strict contract arguments put forth, and we, therefore, believe that the entire relationship between the C.P.R. and Canada should be re-examined. We feel that re-examination is only logical if we consider the action that the C.P.R. would take, should the Government of Canada not have lived up to its commitments. If pressure through politics not redress meant a branch breach of governmental commitment, the C.P.R. would, no doubt, immediately go to the Supreme Court. If re-examination is undertaken a long, hard look should be given to the tax exemption provisions. Municipalities have, in the past, and will continue to object to the federal government magnanimously giving the C.P.R. municipal tax benefits. It is an undisputed fact that the C.P.R. uses municipal utilities, requires municipal fire protection and, in most cases refuses to bear the costs of local improvements abutting its own property. We believe that it is remarkable that the management of the publicly-owned railway attempts to meet the challenge of competition to its passenger services for the purpose of minimizing losses while the Canadian Pacific Railway applies to the Board of Transport Commissioners for relief.

9. We submit that whether or not a re-examination of the C.P.R.—Government of Canada relationship takes place, funds should be allocated for an expert independent research into all applications before the Board in railway matters. We believe these research results presented by some type of public defender or, as the railways might suggest, "devil's advocate", is necessary and must be set up as the municipalities that are immediately affected by an application, do not have the money, time or personnel to adequately give any counter-arguments.

10. We feel there should be an immediate re-examination of all aspects of transportation and that a national transportation policy should be formulated, and implemented. Unless such a policy is in existence, transportation problems cannot be geared to assist such programs as the designated areas legislation.

In conclusion, Mr. Chairman, we would like to say that in our opinion any national transportation policy must be based on new thinking. It may be that the railways will be obligated to co-operate with one another and with other transportation facilities. It may be that one Board should be over the entire field of transportation. It may be that some of these transportation facilities should be nationalized.

All of which is respectfully submitted on behalf of the eight cities from Winnipeg to Calgary.

The CHAIRMAN: Thank you, Mr. Lewry. Before we proceed, I would ask for a motion that the combination brief submitted by the cities be printed as an appendix to today's Minutes of Proceedings and Evidence.

Mr. BELL (*Saint John-Albert*): I so move.

Mr. CARTER: I second the motion.

Motion agreed to.

Mr. REID: Mr. Chairman, is it necessary to print this last brief as an appendix since it has just been read in its entirety?

The CHAIRMAN: Well, I think it is usually the practice to have it printed in its entirety. Now we also have a brief, as stated by Mayor Henderson of Portage LaPrairie, on passenger rail service to and from Brandon, Manitoba, presented by the city of Brandon. I am wondering if it would be best to have comments made by Mayor Magnacca and Mayor Henderson before we proceed to the questioning. In that way we can have the briefs included in our Minutes of proceedings and Evidence. Would that be your pleasure? If we go into questioning on the first combined brief right now we might not have time to go into the other two briefs.

Mayor Henderson?

Mr. HENDERSON: Mr. President, ladies and gentlemen, I would like to be excused for not having a copy of this brief in the sister language simply because it was only finalized in my room at the hotel this morning, and we did not have time to get it translated into French for the committee. However, our brief will be made briefer because I shall only summarize.

On page one, we thank you for the opportunity of coming. We are not trying to present a brief with a lot of statistics. We are trying to give you the feeling of the people of western Canada rather than present statistics because I am sure you have all kinds of statistics before you and these have been presented many different ways and by many different people. We are not going to go into the history of the situation either because you also have the history and we have it. But we want to mention this fact, that when the area where I now live was a prairie wilderness, the railways were competing for the opportunity to serve that part of Canada which even then was not Canada and now in fewer than 100 years they are competing in trying to see how quickly they can pull up the rails, particularly on the branch lines. This disturbs us very much, particularly when we think of the fact that the Canadian Pacific Railways received from the people of Canada the magnanimous gift of \$25 million and 25 million acres of land with lots of nickel and gold and all the rest of it underneath the surface. But with that, they also were responsible for the rights and privileges and responsibilities pertaining to the gift of money and the gift of land.

The next thing I want to point out very briefly on page two, is that the farming community oriented its operations to the railway lines, particularly the branch lines, in the early days, before there were trucks, before there was anything. At this particular time, they are being required to re-orient, and this is going to take much more time than they are being given at the present

moment. In other words, it may be necessary to give subsidies to some of these farmers who were sitting practically on a branch line and now have to travel 50 miles to get their grain out.

The CHAIRMAN: Mayor Henderson, if you will excuse me, are you speaking of the grain movement, branch lines for the grain movement?

Mayor HENDERSON: Yes, very briefly.

The CHAIRMAN: Well, the committee is very strict in dealing that; we are only dealing with passenger service because branch line abandonment will be coming up before us as a separate topic altogether. So we restrict all witnesses to this. I am bringing you back to passenger services.

Mr. HENDERSON: Passenger service railway only?

The CHAIRMAN: Railway only.

Mr. HENDERSON: Do you know what he has just done? He has taken a whole peach and a pear and an apple out of my mouth. You have left me almost empty.

The CHAIRMAN: I will leave you with something.

Mr. HENDERSON: Well, we wanted to develop that idea. We wanted to develop the idea also with respect to establishing Winnipeg in particular as an international air centre, but he has taken that out of my mouth.

We come now to page six, and here we are talking about the removal of the Dominion from the Canadian Pacific Railways service. It is a very short while ago when the C.P.R. advertised across Canada, the establishment of two crack trains the "Dominion" and the "Canadian". Many of us felt that this was a tremendous boost to the economy of western Canada and to the transportation system in western Canada. We were proud of them. However, we find now that of the two crack trains—the Dominion has been cracked: it is gone. The funeral has been held and no flowers presented and the Canadian, it seems to us, is being cracked. In other words, if the Canadian itself is being downgraded, as of the present time, and we are concerned that the Canadian will also be removed from service in western Canada this is of serious concern to us in our city and to all western Canada.

In our protests we have the support, on page eight, of the following: The Province of Alberta has not submitted theirs.

The Manitoba Urban Association which is a municipal organization of the cities, towns and villages of the Province of Manitoba and we have almost 100 per cent membership, excepting one of the largest cities that we have. We have the support of those that are mentioned on page eight, and the Chamber of Commerce in Brandon will be presenting their brief.

We are concerned here that these present the pleadings, the requests and the desires of the people of western Canada. If this problem arose only because of the removal of the Dominion it might not be quite as important. However, the people of western Canada, the people of our city, the people of our cities, towns and villages, are much concerned over what may happen in the immediate future, in the near future and in the not so near future. In other words, we are concerned over what is going to happen to the Canadian. Is it going to go down the stream with the Dominion?

The Board of Transport Commissioners apparently listened to the voice of the Canadian Pacific Railway and also apparently considered our voices as those crying in the wilderness. Let me assure you and your committee that we are not going to let our voices die down unless and until we receive the restoration of service by the Canadian Pacific Railways through the former crack train, the "Dominion" and the present the "Canadian".

Now, moving on to page 10 and I am trying to be very brief, if the Canadian Pacific Railway wishes and is determined to drop completely its passenger service then let the Canadian Pacific Railway return to the people of Canada the original grant of \$25 million with compound interest computed annually and, of course, the 25 million acres of land with the mineral rights and the minerals that have been taken out and the profit that has been made on it.

We think that if they are going to disregard the agreement, if they are going to pull off the trains, if this is what they want to do, that is fine, but give us back our money with interest and give us back our land and give us back the minerals that have been dug out of the land.

I am now on page 11. In the downgrading of the Canadian, we are concerned with the reservations system. I am not talking about the Indian reservations, I am talking about the question of getting on the train. You can go to Air Canada and tell them you want a certain flight and in 20 seconds they can tell you whether or not that flight is available, and whether you have got a seat on it, economy or first class. On the Canadian, and through the Canadian Pacific Railway, we have people who have waited weeks to get a reply for a request for a reservation and this is not good enough today. People cannot wait weeks for transportation.

Furthermore, in our own city, where we could always go down to the station and purchase a ticket and get on a train, we cannot do that anymore. The Canadian Pacific people say "We will have to telephone Winnipeg to see if there is a seat available". Now, Winnipeg is our capital city and we respect it a great deal, but we do not think we should have to put in a long distance telephone call in to Winnipeg to get on a train that is going through the station at Portage La Prairie. This is what has actually happened. This is what has happened to me this week. So we are requesting the Government of Canada not merely to look into the reservations system, but to take it over for three months to see if they can straighten it up. This is pretty strong language but it is about the only kind of language apparently that these people understand.

I am not going to name names that have recently been named and have caused a lot of communications travelling across the continent and across an ocean, but I am going to say this: we have had people who have attempted to get a seat on the Canadian. They were refused, but they went in anyhow and there were 14 passengers on the train.

Mr. BYRNE: Aboard the Canadian?

Mr. HENDERSON: Yes. Now this happened to mayors of Manitoba. This is why we are so strong in our presentation, and we have sent a resolution from our City Council to the Government of Canada asking that the government for a period of three months take this over and see what is happening. It is not good enough for the Canadian Pacific Railway to present us with their statistics and say that so many seats are available and so many people want to get on.

This is not good enough for us. We want to be able to get on the trains because, after all, in our opinion that is what a train is for—not merely to look at.

Now, Mr. Chairman, and members of this committee, I would like to thank you for the opportunity of abbreviating this brief and hope that you will be able to do something for us in western Canada. In case you think I am very prejudiced, I am not; I am an adopted western Canadian. I come from the country where the good lady comes from, from the Maritimes, from Prince Edward Island so I am speaking as one who has seen different parts of Canada and see the problems of western Canada as they are trying to grow and develop with this nation that we all may be proud of their place in Canada. Thank you.

The CHAIRMAN: Thank you, Mr. Henderson. May I have a motion to have the brief at the city of Portage la Prairie printed out as an appendix to the Minutes of Proceedings and Evidence?

Mr. PASCOE: I so move.

Mr. CANTELON: I second the motion.

Motion agreed to.

Mr. BYRNE: Will that include the portion—

The CHAIRMAN: It will include all your Air Canada—the complete brief. Mayor Magnacca of the city of Brandon.

Mr. MAGNACCA: If you do not mind, Mr. Chairman, ladies and gentlemen, I prefer to stand. Let me say, Mr. Chairman, in the first place, that while I represent the city of Brandon, I also represent those small communities, not by my wish but by their request, and they include such places as the rural municipality of Woodsworth, the rural municipality of Dalley the villages of Kenton—

The CHAIRMAN: If you will excuse me, there is no microphone where you are and we are having trouble picking you up. If you could sit in Mayor Lewry's seat until you present your brief, the rest of us might hear you.

Do you want to start over again?

Mr. MAGNACCA: All right, Mr. Chairman, in case some of the points made were missed, I feel it is very very important, as I said before, to indicate that I do not only represent the city of Brandon as the Mayor, but I have been asked by the communities along the line to be sure to mention who they were and that they were very much concerned too with the abandonment of the C.P.R. "Dominion". They were the Benard Branch Line Association; the Rural Municipality of Woodsworth and the Municipality of Daley; the villages of Kenton, Lenore, Harding, Bradwardine, Kenton Chamber of Commerce, Lenore Pool Association, Kenton Pool Association, Harding Pool Association, and to the east, the village of Douglas. These small communities, Mr. Chairman, are very indignant for several reasons. First, they have no financial resources to prepare briefs; they have no means of combined organizations such as the cities have, and they have asked if I would act on their behalf. I said I would. This was said to me by their solicitors, Duke Buckingham, Goliath, et cetra et cetra and I said that I would mention their names to ensure that their voice was at least brought here through me. They are simply not only supporting our brief but they have

made a few points, which are already covered in the brief submitted and in the brief which I am going to submit; therefore it is needless to repeat this, but I do want you to know that the eight cities are not the only important factors on this line, but the small communities too are very much concerned.

● (11.30 a.m.)

Next, Mr. Chairman, may I say a few words before I start on my brief? I would like to submit for evidence a copy of a submission of the city of Brandon, Manitoba, which was endorsed by the Brandon Chamber of Commerce, to the Board of Transport Commissioners for Canada on October 14 of last year at Regina.

As you know, we are concerned in our area particularly because, for many years, the city of Brandon had a horrible time during its economic growth, and it is only within the past two or three years that our economy has risen to the point where we are booming with activity. At the beginning of the year, when the mayor presented his inaugural speech indicating future growth, I was stunned by the railway abandonment and other transportation problems. Therefore, my ego is down a bit. I feel dejected because we have a new \$30 million plant about to open. We have just opened the new food packers plant. Possibly we are even going to create other things of interest to the whole nation, and here we are faced with the abandonment of a train known as "The Canadian" which leaves somewhere around midnight in one direction and early in the morning in the other. It is the only train we have for passenger service. The citizens of Brandon have to go to North Brandon if they wish to catch the C.N.R. train at six o'clock in the morning, and I do it quite often. Do you know that everyone in our part of the province who wishes to catch a train must drive from various points into the city of Brandon or into North Brandon? Some of them come from as far as 200 and 300 miles away.

What I wish to speak about, Mr. Chairman, is something that affects mostly our booming economy. We are now faced with the problem of transportation.

The city of Brandon over the past 30 years has enjoyed steady growth. Population projections prepared for the city by two different firms of reliable and well known engineers show an acceleration of this rate of growth. The complete statistics regarding this growth and the projections are shown in a sheet attached to this brief called Schedule I.

As well as catering to this urban population it should be pointed out that Brandon is the centre of a very large trading area which presently consists of 186,000 persons. This fact can be readily appreciated when it is pointed out that Winnipeg is the closest centre to the east and Regina the closest centre to the west with no major centres to the north or south.

Brandon is also enjoying a steady industrial growth and the increase in job opportunities. If the reader would refer to attached Schedule II which has been prepared by our Industrial Commissioner it outlines a fairly accurate picture on this growth and what we may expect in the foreseeable future.

This growing community will need additional transportation facilities in the not too distant future. Curtailment of any of our present facilities is most unacceptable to our citizens, to say the least, and would greatly harm the development now in progress.

To promote the growth of this area the citizens of Brandon through its city council have established an Industrial Commission with a capable commissioner employed on a full time basis, suitable offices and secretarial help.

Further, to promote the industrial growth of our city, the city council has made available, at low cost to industry, a large tract of land to be developed as an industrial park.

We submit that, to develop any city such as Brandon with a view to providing employment opportunities for our growing children, adequate transportation facilities in all fields is a fundamental requirement. Indeed, such transportation facilities should assist with that growth!

It is difficult to document the many complaints that mayor and council hear from citizens regarding inadequacy of present passenger service. However, it is a fact that, it is frequently difficult to get passage on passenger trains at the time that travel is desired. It is not always possible to book accommodations many weeks in advance, as is necessary with the present service, as trips often cannot be planned that far ahead. Also sickness and death often require immediate facilities being available.

To keep pace with the industrial expansion already in progress in this area and to assist in attracting further new industries as well as to provide for the private convenience of the citizens; the mayor and council of the city of Brandon urge the government of Canada to take the following action:

Establish policy whereby Brandon and all western Canadian cities will have adequate rail transportation for passengers, express and freight—

I am told that it is not too important. I said that because you corrected Mr. Henderson on freight.

The CHAIRMAN: The comment came from Mayor Henderson.

Mr. MAGNACCA: He interrupts other speakers but he gets annoyed when it happens to him.

such facilities not only to accommodate present population and needs but also to be available for the immediate apparent growth of this and other urban centres.

The above is respectfully submitted for your earnest consideration.

Prepared by Alderman G. D. Box

for, and on behalf of, the
mayor and council of the
city of Brandon.

March 21, 1966

Some of the statistics attached hereto will, I am sure, be of interest to the committee, but I shall not read them.

I have a few comments to make, if I may. I have already indicated that Brandon is booming. We are certainly concerned with transportation problems and, more especially, the uncertainties which we have to face in the days that are ahead. We need more than the "Dominion". We need more transportation, if we can get it, between Winnipeg, Brandon, Regina, and back. However, how they want to arrange this, I do not know. My real contention is that the "Dominion" must return rather than that we should seek alternatives at this

time. The C.P.R. must rise to the occasion and support the rising economy in the west by regular train services. Shorter runs and faster trains may be an alternative, but we still want the "Canadian". Take back the mail and express services. I will put that in, Mr. Chairman, because that is a broad and better business to the railway. To that I will add the passenger services. The C.P.R. has acted as if they did not wish to stay in the passenger, mail and express services, and yet the B.N.A. Act specified these services as the primary function of the C.P.R.

I have here, Mr. Chairman, a number of telegrams which I was asked to read. I feel it is not necessary. Everybody wants to get on the band wagon because this is really one of the most serious situations in the prairie provinces. I know there are those in the east who have their problems, as well as those farther west. I realize we are almost sectionalized in this country because of our problems, but let us not make this another part of a sectional problem. Let us realize that the "Dominion" travelled right across the country, from sea to sea, and we need the unification of railway transport now more than ever. The economy is good. Here is the government spending untold amounts of money to assist industry and job training in the prairies. You name it and it is there. However, it has been washed away by the abandonment of such things as this railway line.

I want to take this opportunity to thank you, sir, and the members of your committee for your consideration. I shall be pleased to try to answer any questions that are put to me.

The CHAIRMAN: We have an hour and a half before us. Perhaps we will continue after one o'clock if the members wish to ask more questions, but I will caution members to keep to this half-hour limitation which we voluntarily applied to ourselves. We should try to keep our questions as succinct and brief as possible. I have quite a long list of questioners. Everyone should have the possibility of asking their questions while the delegation is here. We do not have permission to sit this afternoon while the House is sitting, so we are restricted in our time.

Mr. ORLIKOW: Mr. Chairman, would you accept a motion that the question period allowed any member be restricted to 10 minutes?

Mr. CANTELON: I think this would be wise.

Mr. ORLIKOW: If it is in order, may I move that for this meeting only each member be allowed only 10 minutes?

Mr. REID: I will second the motion.

Motion agreed to.

Mr. MARK H. DANZKER (*Alderman, Winnipeg*): Mr. Chairman, some of the members of our delegation are scheduled to leave their hotel at 2.30 to get their flight.

The CHAIRMAN: I will ask all members of the committee to note this.

Mr. ROY J. WIEDEMANN (*Alderman, Medicine Hat*): Mr. Chairman and gentlemen, as far as Medicine Hat is concerned, we would just like to make some points, and since we are restricted to the question of the railway passenger service, we would just like to point out that we do not accept the

costs as submitted by the C.P.R. during the past hearings in connection with the "Dominion". We do not accept the projections contained in the MacPherson Report by whichever government was responsible for that report. In any event, at that time the economy was declining and the projections contained were projections of that declining economy and therefore are not relevant.

As far as Medicine Hat is concerned, the council feels that it is being hurt by the presence of two boards in connection with the passenger service. They operate under narrow limitations. As an example we can cite a circumstance in 1961 at the time of the hearings for the discontinuance of Trans Air. At that time the cost of a one-way fare from Medicine Hat to Calgary was \$16. Prior to these hearings the C.P.R. reduced their rail fare down to \$4.05. This resulted in a further statistical reduction of air fares for the use of air facilities, and that was granted. Now the C.P.R. has increased their rates back to \$8.80, and as a result we feel that if they wished to hurt Medicine Hat—and we are not saying they are because we are sure this is not the case—they could not have done it better than by adopting the procedures they did in connection with the decrease and increase of passenger costs. If any conclusion is arrived at, we would respectfully suggest that some kind of guide lines be set down so as to prevent further reduction of present services. By this we mean that an absolute check should be made, or a consistent guard be kept, against further reduction. We think the question really boils down to which comes first, the chicken or the egg, whether the service should first be downgraded and then a demand be made for permission to reduce the services or whether the travelling public use the C.P.R. services less and thereby downgrade it.

This is all I have to say, Mr. Chairman.

The CHAIRMAN: Thank you, Alderman Wiedemann. I will only make one comment. As far as the MacPherson Royal Commission's report is concerned, it has nothing to do with the government which is not responsible for the report of the Royal Commission. The Royal Commission was set up, and recommendations were made to the government in office at that time. The government therefore has no responsibilities in that regard.

Mr. OLSON: Mr. Chairman, before you start ticking off my ten minutes I would like to make a correction in the committee's proceedings. I do not have the exact page but in several places in the evidence where I am referred to, I am reported as speaking of "past privileges". What I intended to say was "pass privileges".

I would like to express my appreciation to the mayors and councils of the various cities who came before us. I would like to put a question to Mr. Lewry. In paragraph five on the first page of your brief you say you are not satisfied with the Board of Transport Commissioners as they now operate. I would ask you if this means that you feel the Board of Transport Commissioners facilities are inadequate to deal with these applications for abandonment of a train the size of the "Dominion".

Mr. L. M. LEWRY (*Mayor, Moose Jaw*): We feel that the Board of Transport Commissioners have their terms of reference with regard to their operations which are not inclusive enough to enable them to obtain any evidence, apart from the matter of economics, with regard to the railway.

Mr. OLSON: In the next paragraph you say that in your opinion the adversary system of hearings is not adequate. When you say "We wish to appeal to the Board of Transport Commissioners as it now operates" are you confined to this method of an adversary system of hearing the evidence or is it more involved than that?

Mr. LEWRY: It could be confined to the system under which it operates. We are not in a position to give the same kind of evidence as the C.P.R. This is the way the Board operates.

Mr. OLSON: In other words you do not believe that all the facts and all the various shades of opinion appear before the Board of Transport Commissioners?

Mr. LEWRY: It is almost impossible to do the same kind of job as the railway does.

Mr. OLSON: Mr. Wiedemann, has your city or have any officers of your city made any attempt to compare or reconcile the C.P.R. statement of costs with, for example, the Dominion Bureau of Statistics' allocation of costs?

Mr. WIEDEMANN: We have, and the results do not coincide.

Mr. OLSON: Were there doubts in your mind after you examined this and attempted to compare it with other costs that were available and with public information?

Mr. WIEDEMANN: Yes. Mr. Olson, may I answer your previous question regarding paragraph five? I think the brief answers it in paragraph nine on page 4.

Mr. N. BERGMAN (*Industrial Commissioner, Brandon*): Can I help by giving Mr. Olson part of the answer? Some of us have the feeling that when the C.P.R. put figures before the Board of Transport Commissioners hearings the lawyers for the provinces, and so on, were able to dispute them and question them, and even the Commission found them faulty in many respects. This has created and instilled a suspicion in all future hearings.

Mr. OLSON: Aldermann Wiedemann, did the cancellation of the "Dominion" have any immediate detrimental effect on the city of Medicine Hat?

Mr. WIEDEMANN: It had a specific detrimental effect as far as the flower industry was concerned. By flower industry I mean the greenhouse industry. The services provided by the "Canadian" did not meet the requirements of the flower industry in dollars and cents.

Mr. OLSON: Did the C.P.R. provide any alternate service for the transportation of these cut flowers after the "Dominion" was discontinued?

Mr. WIEDEMANN: They provided some type of service but it was inadequate.

Mr. OLSON: It was unsatisfactory? Have they rectified it now?

Mr. WIEDEMANN: What happened there was that the C.P.R. put an embargo on the shipment of these flowers on the "Canadian" to the extent that they would not accept the responsibility for shipping these flowers because they said they did not have the facilities to protect them.

Mr. OLSON: However, I believe that at the Board of Transport Commissioner's hearings, when this matter was brought up, the C.P.R. gave an undertaking to provide more transport facilities that would be adequate. Have they done that?

Mr. WIEDEMANN: They are inadequate.

Mr. OLSON: I would like to ask you a question. When the C.P.R. attended the Board of Transport Commissioner's hearings they stated the "Canadian" would be able to take care of all the passenger services and all the other services that were lost as the result of the discontinuance of the "Dominion". Has the "Canadian" provided good service throughout the past winter?

Mr. WIEDEMANN: No, sir. At one time in Medicine Hat, and I presume in the rest of Canada, you could set your watch by the arrival and departure of the C.P.R. trains. If you did this now you would be in trouble.

Mr. OLSON: How often is it late?

Mr. WIEDEMANN: We estimated it was late in the vicinity of 50 per cent and sometimes as often as 75 per cent.

Mr. OLSON: How many hours late would it be, on some of these occasions?

Mr. WIEDEMANN: On some occasions from three to eight hours late.

Mr. OLSON: I do not want to take more than the ten minutes allowed me but may I ask one more question? In paragraph nine you suggest that there should be an independent expert research done on all of these applications. Do you think that this should be done by the Board of Transport Commissioners or by the federal government? Who should engage or hire these people, in your opinion?

Mr. WIEDEMANN: The federal government.

Mr. OLSON: I have one more question. On page 5 of your brief there is a statement which reads as follows:

In conclusion, we would like to say that in our opinion any national transportation policy must be based on new thinking.

Could you expand a little on the term "new thinking"?

Mr. WIEDEMANN: As far as "new thinking" is concerned, I think that the approach has to be an overall approach to transportation. It must cover the entire field. It must take into account the pure fact of technological change to the extent that this change is anticipated. We feel it is completely inconsistent to have two boards governing the same matter.

Mr. OLSON: I understand, but it is not quite the point I am trying to clarify. Do you want restoration of the passenger service which has essentially been the same for the last 50 or 60 years or, when you talk about "new thinking" are you thinking of some kind of service other than what is now offered on the "Canadian" and the "Dominion"?

Mr. WIEDEMANN: We feel that the service must be upgraded in order to meet the demands, and in fact the transportation system can be used to generate more demand or more industry.

Mr. OLSON: I have one final question which I should like to address to Mr. Henderson. You said that at one time someone had been refused a reservation although there were only 14 people on the train.

Mr. H. L. HENDERSON (*Mayor, Portage la Prairie*): Yes, according to his statement.

Mr. OLSON: There were only 15 people on the entire train?

Mr. HENDERSON: That is what he stated.

Mr. OLSON: Would it be possible for us to ask Mr. Henderson to give us the date when that happened so we can check it out?

The CHAIRMAN: Mr. Henderson can follow this up and give this information to the clerk.

Mr. OLSON: Mr. Chairman, I have no more questions and my ten minutes have expired.

Mr. PASCOE: Mr. Chairman, Mr. Olson has already asked some of the questions I had, but I have two or three more. First I would like to ask if the views presented in these briefs were pretty fully covered in your meeting with the Cabinet Ministers?

Mr. LEWRY: We received a very good hearing from the committee of the Cabinet. We were told by Mr. Pickersgill who chaired the meeting that he had no objection to our advertising the fact that he was very much in favour of one board dealing with all the transportation facilities.

Mr. PASCOE: That is the point I wanted to bring out. You brought it out quite clearly when you said that you are advocating one board for the whole transportation system.

Mr. LEWRY: Our main purpose is to suggest one board for all transportation facilities.

● (12.00 p.m.)

Mr. PASCOE: Is it a fair statement that you have taken the stand in your brief that the Canadian Pacific has a moral obligation to provide passenger and other services on the basis of public interest rather than just on a straight dollar and cents basis?

Mr. LEWRY: We believe the Canadian Pacific has a moral and a legal obligation to carry out the provisions of the contracts entered into. As I say, this is not only a moral obligation but a legal obligation. When Canadian Pacific officials appeared before the Committee statements were made to the effect that it was, in fact, carrying out its legal responsibilities. We dispute that.

Mr. PASCOE: In other words, under the act respecting the Canadian Pacific, where it says: "And the company shall thereafter and forever efficiently maintain, work and run the Canadian Pacific" you are taking the stand that it has a moral obligation to provide adequate services.

Mr. LEWRY: Yes, and it has a legal responsibility as well.

Mr. PASCOE: Mr. Olson, when putting questions, mentioned some effects the curtailment of passenger services had on communities. We discussed this matter before and I believe it was Mr. Sinclair who said that they had made a careful

check and could not find any adverse effects on communities as a result of their curtailment of passenger and other services. Would you care to make a comment on that?

Mr. LEWRY: I think if their check was as all inclusive as their downgrading of service on the Dominion from the time they were told to reinstate it has been they have done a good job in trying to discourage the use of their trains; and the effect upon the community, so far as the C.P.R. is concerned and vice versa is that there is no service available from the Canadian Pacific. They are doing the same thing with the Canadian. The adverse effect on the community is that the Canadian Pacific is no longer an effective means of transportation.

Mr. PASCOE: Does that have an adverse effect on the economy of these communities?

Mr. LEWRY: Well, so far as the city of Moose Jaw is concerned the economy has been affected by a reduction in the number of Canadian Pacific employees.

Mr. N. BERGMAN (*Industrial Commissioner, Brandon, Manitoba*): Mr. Chairman, I would like to supplement what has been said. In spite of Canadian Pacific's argument that there was no deterioration in the smaller communities because of the services supplied we know that the Freedman Commission consistently has found that in smaller towns, such as some of us here represent, there was a bad effect on the community. We prefer to stand on the evidence submitted by another study. Even smaller towns are hurt.

Mr. PASCOE: In a former hearing I asked a specific question with regard to the Canadian Pacific providing a day liner or rail liner service between Calgary and Winnipeg for local transportation and also possibly as a feeder to the Canadian. I have not the record here but I recall Mr. Sinclair saying that the Canadian Pacific would be prepared to look at that if the cities would underwrite any possible loss for a rail liner service. What are your views on that?

Mr. LEWRY: I think our view, so far as the municipalities are concerned, is that we have been subsidizing the Canadian Pacific for a number of years by way of tax concessions and now because we want them to live up to their contractual agreement we are not prepared to subsidize them.

Mr. HENDERSON: We would not mind subsidizing them if they gave us the profits which they derive from the other branches.

Mr. PASCOE: Now, that leads up to my next question: With regard to tax payments for services enjoyed by the Canadian Pacific does the Canadian Pacific pay taxes—that is, local taxes—to the city of Moose Jaw?

Mr. LEWRY: On their main line properties, as you know, it is specifically exempted. But, in the city of Moose Jaw, where they have leased out properties for industrial or commercial use, the moneys or grants in lieu of taxes are payable but by the lessee to whom the property is rented.

Mr. PASCOE: When I brought up this question of the day liner I asked the Canadian Pacific if it would be willing to give running rights to the Canadian National Railways, if they took on these services. Would it help out at all if there were running rights for the Canadian National Railways on the main line of the Canadian Pacific?

Mr. LEWRY: Well, Mr. Pascoe, in the final paragraph of our brief we suggested that this may be necessary. It may be that the railroads would be obligated to co-operate with one another and with other transportation facilities. This is what we had in mind.

Mr. PASCOE: That is part of your new thinking of which you were speaking?

Mr. LEWRY: Yes, that is right. And, I think this will answer Mr. Olson's question; we say new thinking includes a lot of things. Perhaps we cannot outline them now, but they would include day liners and they could include operating on each other's tracks. They do it now with pool trains down east and with regard to their service connections and interconnections within the cities where they are providing trackage for industry.

Mr. PASCOE: I am sorry but I have one further question. I understand we are going to have independent expert research analysis on the cost factor. If and when this occurs could representatives from these cities be advised of the hearings because it may be that they would be interested in coming down.

Mr. LEWRY: Yes, we would be very interested.

The CHAIRMAN: You are next, Mr. Reid.

Mr. REID: Mr. Chairman, I have a number of questions. I would like to direct this question to Alderman Dauzker of Winnipeg. On page 4 of your brief there is a sentence to the effect that municipalities have in the past and will continue to object to the Federal Government magnanimously giving the Canadian Pacific municipal tax benefits. With regard to the city of Winnipeg is it not a fact that this city, by the lure of their tax benefits, got the Canadian Pacific to move from Selkirk to Winnipeg?

Mr. DANZKER: Well, that is history now.

Mr. REID: Yes. It was not the Federal Government but it was the town of Winnipeg which deliberately went out and seduced the Canadian Pacific to come to Winnipeg.

Mr. DANZKER: No. There were extenuating circumstances at that time which, with the time at my disposal, I could not cover. While I am speaking, Mr. Chairman, I would like to take this opportunity to point out that the city of Winnipeg has submitted a brief to the province of Manitoba—in fact, to all bodies concerned, and I would like to suggest, Mr. Chairman, that the city's brief be included in the submission here today. I do not want to be repetitious at this time because I do feel that Winnipeg, like Calgary, is on the fringe of the situation, and while we are somewhat differently situated nevertheless we do recognize the needs and the importance of the submissions as we present them to you this morning. We heartily support them and go along with whatever is being introduced here today.

Mr. REID: I will return to the main speaker, Mr. Lewry. Is it not a fact that this sentence in the brief is an indication that the municipalities concerned now seem to regard the Canadian Pacific as not a benefit so much as it is a total cost; in other words, they want to remove the benefits from the Canadian Pacific because the over-all benefits they have received from the railroad's operation in their communities no longer is a plus factor.

Mr. LEWRY: I refer you to the over-all benefits the Canadian Pacific received when they undertook to bring the expanse of this country together. They received these benefits and these were written into the agreement. The municipalities were told they had to give these tax concessions.

We have a situation in Saskatchewan where the cities of Moose Jaw and Regina are on the main line of the Canadian Pacific and because they are on the main line they receive no tax or grants in lieu of taxes from the Canadian Pacific. In comparison, we have the situation in Saskatoon; they are on the branch line there and they receive full taxation.

Mr. REID: On page 2 of your brief you say that the Canadian Pacific has downgraded the Dominion. Now, one way they have downgraded it, according to your brief, is through the poor reservations system that has been provided.

Mr. LEWRY: Are you referring to the Dominion or the Canadian?

Mr. REID: Both the Dominion and the Canadian. Are there any other ways in which they have downgraded the service?

Mr. LEWRY: I do not know whether you were here at the time, Mr. Reid, but I stated that when the board ordered the Dominion reinstated for that short period of time we in the west called it the Toonerville Trolley. They provided nothing. We had evidence at the first hearing in Moose Jaw, when the mayors got together—

Mr. REID: No; I mean prior to that. According to the submission, this has been a deterioration which has taken place over the past four or five years, and we know the reservations system is still 10 or 15 years out of date. But I am asking if anything else happened which resulted in poor service, for instance, the discontinuance of dining cars and so on.

Mr. BERGMAN: They took off the sleeping and dining cars and reduced the over-all components until they ended up on September 7 with two coaches, one baggage car and a diesel locomotive.

Mr. REID: Now, has it been the practice of the Canadian Pacific, since the introduction of the Dominion, to change the complexion of the train from the summer tourist season to the winter running time?

Mr. BERGMAN: Yes. In 1964 or 1965 they took off the sleeping and dining car facilities during the wintertime.

Mr. REID: To go further, was there not changes made in the consist of the train in order to take into consideration the different traffic patterns that existed at different times of the year?

Mr. BERGMAN: I think this was close to 1960, but I would have to check on his.

Mr. LEWRY: They have done a transportation striptease until there is nothing left.

Mr. C. C. WILLIAMS (*Alderman, Regina*): At one time, Mr. Chairman, the Dominion was a beautiful train, approximately the same as the present Canadian. Someone just mentioned the dining, sleeping and dome cars. Then, all of a sudden, we find them sneaking through the city of Regina at seven or eight o'clock in the evening with a baggage car and a couple of coaches. There

was such a tremendous difference that the people of Regina could not help but notice the change, and they were quite resentful of what had been done. As a result of that, there is quite an anti-Canadian Pacific feeling in the city of Regina.

Mr. REID: We are having a great deal of difficulty with the problem of cost accounting. Could one of the reasons for the downgrading of the Dominion be the fact that the Canadian Pacific feel passenger service, at best, can be made a break even proposition, and to go out and spend capital equipment to upgrade the Dominion is a waste of money and cannot be justified.

Mr. WILLIAMS: The Canadian Pacific has made millions and millions of dollars out of the area we are talking about today, from Winnipeg to Calgary—many millions of dollars; hundreds of millions of dollars, I would say. Now, when they found they had a passenger service on there that did not pay they took it off and, in our opinion, we believe that they intend to take off the Canadian.

It is easy enough to downgrade the Canadian too; all they have to do is not put on enough sleepers and make it difficult for the people to obtain reservations. The people will get fed up and will not try to travel. Then the Canadian Pacific can say they are losing money on the Canadian. But, I do not believe there is any justification for taking off either one of those trains, considering the fact they have made so much money over a period of approximately 80 years. The amount of money they have made is tremendous.

Mr. REID: Would it be safe to say that the main value of the Dominion to western Canada is the fact that it provided day short haul transportation?

Mr. LEWRY: That is part of it.

Mr. REID: I have heard no one talk and there is no mention in your brief of transcontinental service. But, I have heard a great deal about the service from Brandon to Winnipeg, from Brandon to Regina and from Regina to Calgary. Is it a local problem?

The CHAIRMAN: Mr. Reid, could you put one question at a time so that the witness will have an opportunity to answer?

Mr. HENDERSON: Mr. Chairman, so far as the Canadian and Dominion are concerned they are really two entirely different trains. The Canadian stops at Winnipeg, Portage La Prairie and Brandon and then Manitoba is finished. But the Dominion stops at the various points intermediate; it stops at Virden and it stops at Carberry. So, there are three stops in all of Manitoba on the Canadian—at least, three Dominion cancellations.

Mr. REID: In other words, it would seem that its value is more as a local train?

Mr. HENDERSON: Yes, local; it was a combination.

Mr. LEWRY: When the Canadian from the west comes into Moose Jaw it arrives there at 2.30 in the morning; from the east it gets there at 5 or 6 o'clock. Some of our delegates from Moose Jaw came in on the Canadian. One of them asked if there was a possibility of getting a cup of coffee; the conductor told them he might as well order a steak because he could not get anything on this train.

Mr. REID: Have you had any experience in the usage of the C.N.-C.P. reservation system?

Mr. S. MAGNACCA (*Mayor, Brandon*): Yes. I do a lot of travelling; I usually have to get up at 5 o'clock in the morning and catch the Canadian National Railways out of North Brandon, which is some 10 or 12 miles to the north, in order to get into Winnipeg at 9 o'clock. However, to get back home to Brandon after the morning session I leave there at 2.30 p.m. by bus and I arrive back into Brandon at 5.45 p.m. That is the sort of thing I have to put up with.

Mr. WILLIAMS: It is a luxury to be able to travel on the Canadian National Railways; you get on a rail liner and go up to Saskatoon in two or three hours and then you can catch the main line train in either direction, whereas it is a hardship to use the Canadian at 3 o'clock in the morning.

Mr. LEWRY: We have had numerous experiences too. People will drive their cars from Moose Jaw to Chamberlain, 30 miles north, and catch the day liner from Regina and go to Saskatoon and catch the trans-Canada C.N.R. from there.

Mr. WILLIAMS: It boils down to the fact that with the Canadian there is no such thing as local service. The Canadian Pacific provides no such thing as local service all across the prairies. Someone mentioned they stopped at the larger points, and that is all.

Mr. REID: My time is almost gone. How did you gentlemen come here, by car, train or by air?

Mr. WILLIAMS: We could not get a reservation on the Canadian.

Mr. HENDERSON: I came by air.

The CHAIRMAN: Would you proceed now, Mr. Tolmie.

Mr. TOLMIE: Mr. Henderson made the accusation that the Canadian Pacific is downgrading the Canadian at the present time. Is this based on just general opinion or is there any factual evidence to support that contention?

Mr. HENDERSON: Mr. Chairman, as stated in our brief, we have not attempted to give a statistical presentation. We are trying to set forth the feeling of the people with respect to transportation, and no matter where you turn or no matter who you ask they all give you the same answer, that the service is being downgraded.

Mr. BERGMAN: I have a supplementary bit of evidence. If you go back to the newspaper reports of when the Canadian and the Super Continental were both snowbound in British Columbia some two or three months ago you will find that there were 135 passengers snowbound on the C.P.R. and 203 snowbound on the identical C.N.R. train, so there is a big difference as to who is going after the business.

Mr. TOLMIE: My question was not quite answered.

Mr. D. V. J. D. KEEN (*Mayor, Swift Current*): During the last six months I made a survey by means of a questionnaire put out through our own local Canadian Pacific station. The question was:

In the last six months how many times on the average was the Canadian on time?

The answer from the C.P.R. ticket agent was:

Never on time since September, 1965, when the Dominion was taken off.

The next question was:

Give an estimate of how many hours the arrival was delayed.

The answer was:

Five to seven hours on the average.

Mr. REID: Regardless of whether or not the train was late, what about the question of service, accommodation, food and so forth?

Mr. WILLIAMS: Perhaps I could give a brief answer to that. I have not travelled on the Canadian for some time but from what people tell me the service is becoming lousy—and that is the expression they use. That is all the information I can give you.

Mr. DANZKER: Mr. Chairman, I think it might be of basic importance to point out the difference in the thinking today compared with the time when the railroad came into being. At that time we had an optimistic point of view with regard to the upbuilding of the west and everything associated with it. In that connection I could speak at great length. But, I do not think that is necessary with a group such as this. The fact is that everything is being done at the present time to change the complexion of the intention on the basis of the arrangement that originally had been agreed upon. Now, the area is permitted to deteriorate even though this is a service that is so badly needed in order that these necessities of both commerce as well as convenience can be maintained.

Mr. TOLMIE: I would like to know if this group feels that the contractual obligation between the Canadian Pacific and the government means that in this particular situation the Canadian Pacific should run their railway passenger service at a loss?

Mr. LEWRY: I think our group feels, if necessary, yes, because this is a matter of public service. They obtained all of the grants both landwise and moneywise. When they obtained the contract the passenger service was one of the contractual obligations. If necessary they should operate the train as a public service. I run a transportation business in my city. If we looked at it from a profit and loss point of view there we would not be running any buses.

Mr. TOLMIE: In other words, basically the Canadian Pacific position, as I understand it, is that they feel, under the original contract, they were to run railway passenger services efficiently, which does not mean they should run at a loss, whereas a lot of people, a lot of organizations and some levels of governments feel the Canadian Pacific agreed in its original contract to provide railway passenger service, even at a loss. Now, you have made a statement in your brief to the effect that perhaps the whole question of the contract should be investigated. Do you feel anything could be gained if the Government of Canada brought an action in a court of law against the Canadian Pacific for lack of performance under the contract?

Mr. LEWRY: As a matter of fact this is already underway. We understand that under the appeal to the government with regard to the discontinuance of

the Dominion there is provision for appeal to the Supreme Court, and we understand this might be the next step. Even the appeal to the government is sub judice.

Mr. MAGNACCA: It could be considered as a lost leader, if necessary because it is only one spoke of many on the C.P.R. wheel. It has its steamships, air lines, express business and dozens of other things from which they are making money, and now they have the subsidiaries. In my business I have to look at the over-all picture. If their passenger service is not paying it is because they have made it possible to say it is not paying. But, the passenger service is as much necessary now as ever before. However, it is only a small part of their transportation set-up and, therefore, they say: "Let us get out of it and go into the more profitable line." I am not interested in what they want to do; I am interested in transportation for Canadians, especially in communities such as ours where people have to drive up to 200 miles to get to a railway station because of the abandonments of small lines which have taken place over the years—and now with the Dominion off it makes it even more difficult.

Mr. Chairman, I, for one, am asking for the restoration of the Dominion. Never mind trying to find other means of transportation; let us get the Dominion back on the job, and from there on we will attack the other things which we feel are of vital interest.

Mr. Chairman, if I could just take another minute, I am one of those who is opposed to further types of committees. I think this committee is capable and well able to dictate the work required for statistics, and I do not think it is necessary to have another committee or another commission.

Mr. WIEDEMANN: May I just rephrase your question: Should the Canadian Pacific be forced to run at a loss?

Mr. TOLMIE: Yes.

Mr. WIEDEMANN: I would think that question of loss requires a definition. Should they be made to lose actual dollars on it or should they be made to show a profit after they have taken their cost of money, after they have had their depreciation allowances several times as allowed perhaps by the income tax people and this type of thing. I would say not. And, as far as we see it, with the Canadian Pacific as is the case with all agencies, there is a limitation of resources. And, let us put it this way: they can make less money on the railways than they can on some of their other endeavours, so the natural course of management is to stop the businesses in which they are making less money and put this money into businesses where they are making more money. I think if they were saddled with the obligation of maintaining their present facilities and services they could, in fact, minimize their losses—and, by this, I mean the actual dollars they have lost because they have not spent any money on new coaches, locomotives, and this type of thing. If they maintained it their actual loss would not be anywhere near the figure that their paper loss shows—if you know what I mean, without their technical loss.

Mr. WALKER: Mr. Chairman, I have a supplementary question. Is it your contention that these losses are self induced?

Mr. LEWRY: We pointed out that it is almost impossible, as a city, to question that. They can build up these things and we have no contrary figures to prove this. But, we suggest they have downgraded the service and upgraded the losses to prove that they cannot continue to do this economically.

Mr. WALKER: Then, you say it is a self inflicted wound?

Mr. LEWRY: Yes.

Mr. TOLMIE: I have one last question. You have a rather novel suggestion in paragraph 9 where you suggest that an independent expert research body should be provided. I gather from this submission that you feel many of the organizations opposing the application of the C.P.R. have not the facilities or the money to counteract the Canadian Pacific presentation. Now, I would like some explanation of the type of body you suggest here. Are you thinking of a permanent body? Would it work along with the opposing parties only? Would it be possible to inquire into the costs of the Canadian Pacific? Would it be able to subpoena? Has this been given any real thought or consideration?

Mr. LEWRY: What we are suggesting is an internal auditor's type of facility available to those who want to oppose the application of the Canadian Pacific as long as they continue to insist upon this type of downgrading or abandonment of their services.

Mr. TOLMIE: And they would have access to Canadian Pacific records?

Mr. LEWRY: I think so.

Mr. MAGNACCA: Mr. Chairman, every community across the country are unable to carry out research studies on the problem of financing the Canadian Pacific, but this could be one of the duties of this committee.

Mr. HORNER (*Acadia*): Mr. Lewry, what reaction did you get from your talks with the Cabinet this morning with regard to the Canadian Pacific's obligation that money earned from a gift by Parliament should be used to compensate any losses incurred by the continuation of the Dominion service?

The CHAIRMAN: Just a moment, Mr. Horner.

Mr. LEWRY: Mr. Horner, you would have an opportunity to put a question on the orders of the day.

The CHAIRMAN: Yes, I was going to suggest the same thing. With regard to the representation made by this delegation to the Cabinet committee and any discussion that took place there you would have an opportunity of putting a question on orders of the day.

I do not wish to restrict you, Mr. Horner, but I am just questioning how far this committee can go in discussing what happened in Cabinet. This was not the full Cabinet; it was a Cabinet committee. I do not think this gentleman could answer your question. If I allow you to put one question in this regard we might go too far afield.

Mr. LEWRY: I might say that Mr. Pickersgill said we could say that he was sympathetic so far as our suggestion for one board over all transport facilities is concerned.

Mr. HORNER (*Acadia*): I am not satisfied. Mr. Pickersgill could well say that. I could say that too. That would please you, but I do not agree with that.

On this point of order, Mr. Chairman,—

The CHAIRMAN: I would suggest, Mr. Horner, that when Mr. Pickersgill comes to this committee you will have an opportunity of putting questions to him.

Mr. HORNER (*Acadia*): This is what I said some time ago before this committee; I said we must have the Minister before this committee so that this committee can determine what we are supposed to do. Are we supposed to be a cushion for the rural parts of western Canada. Is this our duty? Should we politely hear these people, agree with them on clause 9, page 5, and say we should have one board? But, whether we ever get one board is another thing. If it is the duty of this committee to act as a cushion then we should be told. But, I asked Mr. Lewry what the reaction was to a statement made.

Mr. DEACHMAN: On a point of order, Mr. Chairman.

Mr. WILLIAMS: This internal friction has nothing whatever to do with us.

Mr. DEACHMAN: On the point of order, Mr. Chairman, it seems to me that his committee's terms of reference are clearly laid out and I do not think anything should be interpreted into these terms of reference other than what the actual terms are.

Mr. OLSON: On the same point of order, Mr. Chairman, I think it is quite in order for any member of this committee to ask any member of the delegation what their opinion is on any subject that deals with the terms of reference, in other words, railway passenger service; but I do not think it is in order for us to ask these gentlemen questions with regard to what the answers were to questions that they raised in another meeting.

The CHAIRMAN: I agree with you, Mr. Olson, and that is why I am ruling that the question is out of order.

Mr. HORNER (*Acadia*): I will accept your ruling. Let me put it this way: I do not accept your ruling but I will buy that.

Do I understand from your remarks on the Canadian service that you feel such service has been downgraded and that this has been since the discontinuance of the Dominion?

Mr. HENDERSON: Yes, downgraded and deteriorated.

Mr. HORNER (*Acadia*): And, this is since the discontinuance of the Dominion.

Mr. HENDERSON: Yes, definitely.

Mr. HORNER (*Acadia*): In your opinion, why has this happened? Is it because the people travelling on the Dominion have had to go on the Canadian and this is causing overloading? Would this be one of the reasons?

Mr. LEWRY: I think they made the statement publicly that they are going out of the passenger business and that they intend to follow the same course with the Canadian, the same bill of goods, as they did with the Dominion.

(12.30 p.m.)

Mr. HORNER (*Acadia*): Would the C.P.R. not agree to it? I do not want to defend the C.P.R., but would they not agree to that?

Mr. LEWRY: Mr. Crump is not here either but he was a night watchman of the C.P.R. in Moose Jaw when I was a telegram messenger. As I said, he is not here but he made the statement that it will be a good day when the C.P.R. got out of the passenger business. This was 25 years ago. He was night watchman then. I suggest they have been working on this basis ever since.

Mr. HENDERSON: We are working here on the basis of two different philosophies with regard to transportation. The philosophy of the C.P.R. seems to be that they want to get out of the passenger service. Their argument is that it is not profitable. We maintain that transportation is a unit. The late Sir Henry Thornton said that if you could get good passenger service, the passengers would follow. The C.P.R. is working in an absolutely opposite direction. They try effectively and efficiently to downgrade the service while we are trying effectively and efficiently to upgrade the service. They will get the passengers because the C.P.R. in western Canada has helped to build Canada. At present they are helping to tear it down. We want to build one nation and we have a part to play in western Canada. We do not want this committee, this government of Canada or the Board of Transport Commissioners, to permit the C.P.R. to downgrade the service to such an extent that they will make it difficult for us to build our cities and our communities.

Mr. HORNER (*Acadia*): This is what I am trying to arrive at. What is the purpose or the reason for downgrading the "Canadian"? Is there any connection between the discontinuance of the "Canadian" and the downgrading of the service?

Mr. HENDERSON: We would like to know the answer.

Mr. WILLIAMS: Ask the C.P.R. why they are doing it.

Mr. HORNER (*Acadia*): The C.P.R. is not before us today. I want to have an answer from you people so that I may better question the C.P.R. when they come before us. Can you give the committee any evidence to support your belief, other than the statement by Mr. Crump, that the "Canadian" service is being downgraded?

Mr. KEEN: There is evidence from Swift Current that since the "Dominion" has been taken off the line, the "Canadian" has been late more often than not, while prior to that it was on time. This has nothing to do with passenger service or rates because, as you will recall, during the war there was a lot of traffic and the trains were always on time.

Mr. DANZKER: Is it not already obvious from the submission that has been presented to you what the reasons may be? Do we necessarily have to elaborate on the purposes for this?

While I have this opportunity I would like to point out to the committee a very basic and fundamental point of view, and that is the interpretation with regard to losses. It has been suggested that the railway operates at a loss. I will suggest to the committee that the operation today is such that although it is segmented into various areas the cream has been taken away and the skimmed milk is left. The presentation that has been made to you up to this time is entirely based on skimmed milk statistics, taking everything else away. If you

can justify that kind of attitude in connection with the figures that may have been submitted or indicated, then it is a different matter. My contention is that it cannot be considered in that manner; it must be done on an over-all basis rather than one which only affects one segment of the operation.

Mr. HORNER (*Acadia*): I would like to proceed on a different line of questioning.

Mr. MAGNACCA: I would like to add one further thing. I think it is of some importance. In the city of Brandon until a few years ago, the "Canadian" arrived, the station was open at night and the lights were on. There used to be a porter there and the coffee shop was open. Now when the "Canadian" comes through and you want to get on it, if you were not able to get your ticket some time during the day, you are out of luck. You buy your ticket and crawl and crawl through the dark to get on the "Canadian". That is what I call downgrading the "Canadian". When you get to the C.P.R. station you wonder whether you are somewhere out in the sticks or not, and yet the station is right in the centre of our city. Recently an aged couple got off the train from a coach which was about half a mile down the track, or it seemed that way. They said they thought they were somewhere out in the sticks and not in the city of Brandon. They had an awful time finding their way in the dark to get a taxi. If you can tell me that this is not downgrading the "Canadian", what is downgrading the "Canadian"?

Mr. HENDERSON: Hear, hear.

Mr. MAGNACCA: There are no lights, no interest is shown, no tickets. You came it and we haven't got it.

Mr. HORNER (*Acadia*): I have been on both trains. I rode the "Dominion" as late as last autumn, one of the last times it travelled. I am well aware of it. However, I would like to get as much proof as possible before the C.P.R. comes here.

I have one other question.

The CHAIRMAN: This will be your last question, and I have already added time to your ten minutes.

Mr. HORNER (*Acadia*): Everybody else took my time!

The CHAIRMAN: This is extra time.

Mr. HORNER (*Acadia*): Fiddlesticks!

My question regards a single, independent board. Do you not feel that when the Board of Transport Commissioners was set up it was an independent board?

Mr. HENDERSON: Some of us seem to feel that it has a bias towards the C.P.R.

Mr. HORNER (*Acadia*): Was there no bias when it was first originated?

Mr. HENDERSON: We feel it but we cannot prove it. We feel that there is a bias, that the C.P.R. has a stronger voice and a more important voice while our voice is a cry in the wilderness.

Mr. HORNER (*Acadia*): But do you think it was independent when it was first set up?

Mr. HENDERSON: It was so far back I do not remember.

Mr. HORNER (*Acadia*): Was that not the purpose of it?

Mr. MAGNACCA: Of course it was.

Mr. HORNER (*Acadia*): If we set up a new board with five or seven more men on it, it may be independent to start with, you might think, but would it not eventually evolve to the point at which we are today? People might come to Ottawa and say that that board is no longer independent; it is biased.

Mr. LEWRY: We are suggesting one board. I do not think we used the word "independent". We are saying there should be one board over all the transport system facilities.

Mr. HORNER (*Acadia*): What would be accomplished by this one board?

Mr. LEWRY: The two boards, the Air Transport Board and the Board of Transport Commissioners, have conflicting duties.

Mr. WIEDEMANN: Can I answer this? Are you saying that the board we wish to establish, as stated in paragraph nine of the brief, is either an independent body or a devil's advocate type of body? My understanding is that the present board is a quasi judicial board which makes decisions on applications. What we are saying is that under its present terms it cannot give a fair decision based on all the facts because all the facts are not before that board.

Mr. HORNER (*Acadia*): They should be.

Mr. WILLIAMS: May I interject, Mr. Chairman? It seems to me that all this talk about what we think of some board, what it used to be, what it may be or what it is now, is inconsistent. This is not why we are here. Apparently this is an internal matter of conflict.

Mr. HORNER (*Acadia*): You have it in your brief.

The CHAIRMAN: That is the problem.

Mr. WILLIAMS: I suggest the Chairman ask somebody else to put questions.

Mr. HORNER (*Acadia*): Fine, gentlemen. I waive all further questions.

The CHAIRMAN: Mr. Horner, your time is up anyway. We are going to terminate our meeting at one o'clock in order to accommodate some of the gentlemen who have to leave. I have two people in my list, Messrs. McIntosh and Dinsdale. Mr. Dinsdale will be the last member to put questions because we will finish at one o'clock, unless we can spare a few minutes after one o'clock.

Mr. McINTOSH: Mr. Chairman, I will try to confine myself to one question. I wish to direct it to His Worship Mayor Lewly. After listening to the evidence so far I have come to the conclusion that the root of our problem lies in the original contract. I was a little concerned about the answer you gave to other members of this committee when you referred to paragraph seven of that contract. I think this is what you were referring to and I will quote it:

And the company shall thereafter and forever efficiently maintain work and run the Canadian Pacific Railway.

I take it from your remarks, Mayor Lewly, when you said the C.P.R. has a moral obligation, that they also have a legal obligation. I do not wish to deal with the moral part of the obligation, but I would like to elaborate on your statement that they have a legal obligation to run a rail passenger service. I know you are not a lawyer, and I am not a lawyer, but I want to get as many legal opinions on this as I possibly can. In my opinion, from reading this as a layman, I see no legal obligation on the part of the C.P.R. I am not speaking in favour of the C.P.R. by any means. Do they have a legal obligation to run a rail passenger service? Would you give your opinion on that? I will ask the other part of my question afterwards.

Mr. LEWRY: There are two lawyers on our delegation who could probably give you their interpretation. You will get as many interpretations as you do lawyers, of course. As far as I am concerned, the C.P.R. has a legal obligation to provide passenger service, according to the contract. They say they do not.

Mr. McINTOSH: In the contract there is no mention of passenger service. This is the point I am getting at.

Mr. HENDERSON: This is correct, but why would you have a station building? Would it only be to look at?

Mr. McINTOSH: I am looking for reasons. I wish to deal entirely with the contract binding two parties. This is the root of the problem, not the reasons or the ramifications. If I could be convinced that they have a legal obligation, then my direction would be different, but until I am convinced there is a legal obligation I will put myself in the place of the C.P.R. I think the Mayor of Brandon said he was running a business. We are a free enterprise. If part of his business does not make money, he is free to drop it and no one would condemn him for doing so. Can we not use the same reasoning for the C.P.R.? If they have no obligation to run a rail passenger business under this contract, are they not also free to drop it? This comes down to what is the definition or the interpretation of the term "transportation".

Mr. WIEDEMANN: May I answer this question in this way? As far as the position of the city is concerned, the city has to take the position that the railway services, by definition, are services specified in the contract at the time of the making of the contract. If in 1880 the railways had the obligation to provide rail transportation for passengers as an integral part of their service, they have such a duty now.

Mr. McINTOSH: I am arguing with you to bring out a point. In 1880 they ran horse and buggy transportation, not cars. This is a hypothetical question. If, say, at that time the Greyhound Bus Company were using the horse and buggy system of transportation they were bound by contract, would they be compelled to use the same means of transportation today?

Mr. WIEDEMANN: Yes, if we are going to live by contracts. However, this is two-sided, and if they are going to change as required, they must provide an alternate or an additional service. In that case the cancellation of their obligation must be consented to, and a renegotiation must ensue.

Mr. McINTOSH: It could be done by air.

Mr. WIEDEMANN: This may be, but I am saying that the agreement must be negotiated; it cannot just be given up by one side. If they are going to do this, perhaps they should give up their entire right, which they always hide behind, to municipal taxation.

Mr. KEEN: I might be able to answer this question. I am glad the legal point came up because I came a long way with one particular problem which I think the committee should understand. I do not think the committee realizes that there is this problem because it is particular to small localities.

During the past ten years we, in Swift Current, have tried to convince the C.P.R. that it had certain obligations in services to the community. The C.P.R. refuses to assume responsibility for its share of local improvement that abut its property, namely sewer, water and storm sewer costs. They have finally agreed to pay their share of the cost only where it parallels their building. But this is only a small part of its total cost as it affects C.P.R. property. Their argument is that they are exempt from such taxes by virtue of their 1881 agreement with the Dominion of Canada. We have accepted this as we had no alternative. Conversely, the C.P.R. has no argument because their original agreement stipulated that they should supply an adequate rail service. This should not be considered as service pertaining to conditions that prevailed in 1900 but to present conditions of social structure. On a legal basis they are hiding behind a certain facet of their agreement; they will not pay us for the local improvements which were non-existent in 1881. As I say, they are hiding behind it. And, now, they do not want to provide the service. We did not anticipate the type of service we needed in 1960 compared with 1881.

● (12.45 p.m.)

Mr. McINTOSH: Your statement, Mr. Keen, leads up to my next question. You, as gentlemen representing the prairie provinces, agree there is a legal obligation in this contract. Do you then not agree that it is your obligation to sue the Canadian Pacific for breach of contract?

Mr. WIEDEMANN: No.

Mr. HENDERSON: We did not make a contract with them.

Mr. McINTOSH: This leads up to my next question then.

Mr. HENDERSON: The government of Canada has a contract with them.

Mr. McINTOSH: Then, your appeal here today is not to the Canadian Pacific or to this committee but rather to the government, whose responsibility you assume this problem is?

Mr. LEWRY: Our main function was to meet the government, which we have done this morning. We were kindly asked to come before your committee, and we thought this was a very proper thing to do.

Mr. HENDERSON: This is a parliamentary committee, is it not?

The CHAIRMAN: It is a standing committee.

Mr. BERGMAN: Mr. Chairman, could I answer Mr. McIntosh personally. Up until two or three years ago the railways were in the business of moving passengers and goods—and they did this from 1881 on; they entered into a contract with the government to bind this nation together and to include British

Columbia in the Dominion of Canada. The intent was to move people as well as goods. This was the obligation and the intent at the time the contract was made. Nothing has changed the intent of the people today because Mayor Keene has told you that you cannot argue for continued tax concessions without continuing the obligations at the origin of the contract. That is my point.

Mr. McINTOSH: I think you are going off on a tangent.

We have evidence before us to refute what you have said, that transportation, as it existed in the days of 1880, was actually freight transportation; passenger service was an after thought on the part of the Canadian Pacific to bring settlers out from the old country to settle their lands. There was no thought of it being divided between freight transportation and passenger transportation. This is a point on which, I say, our contract is not clear. But, so far as you people are concerned, I take it you say that the responsibility for a continuance of rail service on the prairies is up to the government and not to the Canadian Pacific?

Mr. BERGMAN: You see, the first thing that has to be moved are people, in order to provide the goods to be moved.

Mr. KEEN: I think the Canadian Pacific has acknowledged this fact by changing from the colonist cars they had to the dome type they have now.

Mr. WILLIAMS: What difference does it make what they thought in 1880; this is 1966. The question is what do we think about it now?

Mr. McINTOSH: I am getting down to the root of my problem.

The CHAIRMAN: Would you proceed now, Mr. Dinsdale.

Mr. DINSDALE: Mr. Chairman, I am not a regular member of the committee but I would like to put a few questions.

The CHAIRMAN: You are entitled to ask questions.

Mr. DINSDALE: As you know, there are some sections of the west which are known as Canadian Pacific towns in that they are served only by the Canadian Pacific Railway. I think this applies to the city of Brandon and also other towns along the route. While we have the Mayor of Brandon and Mr. Bergman here I would like to get some information, which I think they might have, with regard to the attitude of other towns along the route.

I presume, Mr. Magnacca, that there has been consultation with town officials of Oak Lake, Virden, Griswold and so on and they feel the specific problem here is the cancellation of the Dominion; they feel the loss of the Dominion creates a fundamental economic problem. Have you any comments to make in that connection?

Mr. MAGNACCA: Yes, I have, Mr. Chairman and Mr. Dinsdale. I spoke on that this morning but perhaps you were not here at that time. I was asked to represent all the towns from the Saskatchewan border to Carberry; they had meeting after meeting, at which I was in attendance. They felt they could not afford to come down here and they asked me to speak on their behalf. They are having the same problem but only to a greater extent than we are in that now nothing stops in their towns, not even the Dominion. If you want to catch the Canadian you have to drive from all these towns into Brandon and hope that you can grope through the dark to catch the train.

Mr. DINSDALE: Has there been a downgrading of service by way of the removal of station agents and this sort of thing?

Mr. MAGNACCA: Oh, there is only a fraction of the station agents that there were 10 years ago.

Mr. WILLIAMS: We have many ghost towns.

Mr. MAGNACCA: Yes. There is nothing at Alexander. Even the station has disappeared. That is just one little place. This condition exists all along the way. This is not something new; this has been gradual. This plan must have been in effect for some 10 or 15 years. But, the deterioration has reached the lowest level where today the Canadian Pacific means nothing to these communities. There is not even a station agent, packages or parcels or anything. If someone in town wants to receive express from the passenger train he waits now seven or eight days for it to come in by truck, if the truck gets there.

Mr. DINSDALE: Mr. Chairman, I would like to pursue this a little further. Would you say the argument that this is a result of the process of fundamental economic change is a legitimate one and that transportation facilities have to adjust to the fundamental economical changes that are taking place—and, if this is so, how would you relate this to the general attitude in the west to the effect that the west is enjoying a great upsurge in prosperity now. There seems to be inconsistencies here. Our transportation facilities all along the line with reference to rail are declining whereas the western economy is booming. Now, this does not seem to make sense to me. Have you any comments to make on that point?

Mr. MAGNACCA: You must be aware that in our area alone never, never—it is unparalleled in history—have we had such a booming buoyancy as we have now with government assistance. We have the government assisting us on one side by all sorts of things but with the railways diminishing we have not the transportation. There could be a buoyancy for the railway too if they would give the service they used to give not too many years ago. Passengers do not congregate in big cities to take a railway passenger train. They used to be picked up all along the line, especially by the Dominion; this is non-existent now.

If you want to catch the Dominion you will find that it does not exist; but if you want to catch the Canadian you have to drive to the cities of Brandon, Regina or Portage la Prairie; otherwise you can blooming well hoof it.

Mr. DINSDALE: On the balance sheet problem can you tell the committee if the Canadian Pacific, in its calculations, includes the revenue from grain movements in the over-all revenue position at these local stations, for example?

The CHAIRMAN: Mr. Dinsdale, as you are not a member of the committee may I say that our terms of reference relate only to passenger service and I think we should stay away from grain movements.

Mr. HENDERSON: All except me.

The CHAIRMAN: Well, you were brought into line.

Mr. DINSDALE: Perhaps I can approach it from a slightly different angle. The late Mr. Emerson, who was a very well known citizen in my province of

Manitoba—and his loss is greatly regretted at this particular time—has stated that the Canadian Pacific has always made a profit from their transportation activities. Is there anyone on this learned panel in front of us who can indicate whether at any time in your study of the situation passenger service as provided by the Canadian Pacific has been a profitable part of their total transportation picture or has it always operated at a loss?

Mr. LEWRY: All we can say is that during past years when passenger service was passenger service, when they gave the service they certainly did not indicate they were having any losses. They used to run every branch line into every city represented here. They ran excursion days into the cities to shop. But, all the branch lines are gone now. They certainly promoted it in past days, but they have not done this in recent years.

Mr. WILLIAMS: Mr. Chairman, the losses about which Mr. Dinsdale inquires are mere peanuts when you compare them to the profits they make on all the other things they haul.

Mr. DINSDALE: Is this a new situation or has it always been a part of railroad operation that freight was profitable and passenger unprofitable?

Mr. WILLIAMS: I would think many years ago that it was profitable because they had it all; this was before the days of the automobile. There were no airplanes and they had everything. If they lose a little now what difference does it make?

Mr. BERGMAN: I think there is only one way to answer it. The Canadian Pacific at the hearings before the Board of Transport Commissioners indicated—and I do hope that I am getting the correct interpretation—that passenger business was profitable or reasonably profitable and showed sufficient prospects of being a prosperous and profitable service which justified them spending millions of dollars to establish the Canadian service and a transcontinental railroad service for Canadians. I think this was their thinking, and this goes back to the early 1950's.

Mr. DINSDALE: I have one final question on this single authority recommended in the brief. Would this be something similar to the rationalization authority which was mentioned a few years ago, which would have power to look at the total rail transportation situation and take into consideration the social and economic factors as well as the profit and loss position with regard to rail operations in the West?

Mr. LEWRY: What we are suggesting is a new Board of Transport Commissioners with new terms of reference so they can take in all forms of transportation; not only rail and passenger service, but all forms.

Mr. DINSDALE: But, as you know, Mr. Lewry, Parliament is in the midst or perhaps on the threshold of considering the MacPherson report on transportation and this is going to involve a pretty broad reorganization and rationalization. Now, would you not say if you are going to deal with the MacPherson Royal Commission of Transportation there should be an over-all authority which can take into consideration the social and economic problem as well as the profit and loss position, which seems to be the basis of the argument put forth by the Canadian Pacific?

Mr. LEWRY: To use a simple word, our answer would be yes.

Mr. DINSDALE: So this is what you have in mind?

Mr. LEWRY: Yes.

Mr. DINSDALE: And, I suppose you would conclude in the final analysis, that the only authority that could deal with this is Parliament and the Government of Canada has to enunciate a policy in this connection.

Mr. LEWRY: This is why we have asked for a national transportation policy.

The CHAIRMAN: Mayor Henderson has a closing remark.

Mr. HENDERSON: Mr. Chairman, I am glad you are bringing it to a close at this point because the Canadian Federation of Mayors and Municipalities also have asked in their briefs to the government for the past three, four or more years for a national transportation policy, and this is a strengthening of the proposal. First of all, I would like to tell Mr. McIntosh that if he looked at section 24 of schedule A of the contract it says very specifically that the said Canadian Pacific Railway Company shall receive and carry all freight and passenger traffic shipped to and from, and so on and so on. I just wanted to point that out.

Mr. MCINTOSH: But that is not the contract I am referring to.

Mr. HENDERSON: This is a schedule which is part of the contract.

Mr. MCINTOSH: That is section 315 of the Railway Act. I am talking about the original covenant or contract made between the Government of Canada and the Canadian Pacific, and that is not it.

Mr. HENDERSON: What I want to say, Mr. Chairman, is this. When Canada was a nation of a few scattered millions of people the railways were competing for the business. Now, we have become a nation of almost 20 million people; Canada could not exist in the past or in the present without communication or transportation. We realize all too well the slow traffic back and forth during the war years from 1939 to 1945; we just simply cannot exist unless we have proper communication and transportation systems. We have enough problems in our nation without adding to the burdens that we have now. I would ask your committee to support us in our presentation when we say that we want to make of Canada a great nation—not necessarily populace but great in stature, great in the stand it takes from time to time, and great in the eyes of the world.

● (1.00 p.m.)

Mr. MCINTOSH: That is why we are all here.

Mr. HENDERSON: I know that. That is why we appreciate the opportunity of being before you and hearing your questions. We are not here merely as cranks but as people who want to help to build this nation along with you. At the municipal level we have tremendous responsibilities, and we accept them. We also have a tremendous opportunity, and we accept it. We appreciate your time, your interest and your concern, and we just hope you will give us tremendous support.

Mr. Chairman, I see you handle the committee much better than we handle our councils.

The CHAIRMAN: I am going to have to bring you in line pretty soon.

Mr. HENDERSON: I might be one of the hardest you ever handled. We thank you for the opportunity and hope you will give us support.

The CHAIRMAN: Mayor Lewry wishes to make some remarks.

Mr. LEWRY: Mr. Chairman, I want to express the appreciation of the representatives of the cities from Calgary to Winnipeg for your very good hearing and very good questions. I am not sure we were able to answer them all, but we certainly appreciate the fact you took time out to listen to us when we are in Ottawa. We hope we will be invited back again.

Mr. CANTELON: Mr. Chairman, on behalf of the committee I wish to say how grateful we are.

The CHAIRMAN: You took the words out of my mouth.

Mr. CANTELON: I would like to do it because I have not had an opportunity to ask my questions, and this was not because I did not have any. However, we are very grateful that these gentlemen came and gave us some first hand information. This is really what we want, and it is nice to get it.

The CHAIRMAN: Thank you, gentlemen, and let me say we hope we may be meeting you soon in the prairies.

APPENDIX F

Submission by His Worship Mayor L. H. Lewry of the City of Moose Jaw, Saskatchewan on behalf of the following cities:

Winnipeg,
Brandon,
Portage La Prairie,
Regina,
Moose Jaw,
Swift Current,
Medicine Hat,
Calgary.

Gentlemen, we thank you for this opportunity to present our views.

We submit the following:

1. We represent the municipal authorities of the cities bordering on the main line of the Canadian Pacific Railway from Calgary to Winnipeg.
2. We believe that adequate transportation facilities are not only an amenity of an expanding urban society, but also are the very essence of necessity for our economic survival as cities.
3. The discontinuance of the "Dominion" as a passenger transportation service was only one aspect of the much larger problem of transportation facilities, and we wish to direct our comments in the main to the larger problem.
4. We believe that transportation is of a more vital nature than a public utility, and the question of cost is not the sole or main criterion for any decision affecting transportation.
5. We wish to appeal more than a single Board ruling:— we wish to appeal the Board of Transport Commissioners as it now operates. This, we feel, is our reason for coming and we take this position for the following reasons:
 - (a) The adversary system of hearings, as now used by the Board of Transport Commissioners, is weighted against a decision based on all the facts. e.g. A city does not accept the losses reported by the Canadian Pacific Railway on a request to abandon a branch line or close a station. In theory, the city can cross-examine witnesses and present its own evidence and views. The position the City finds itself in is that the only evidence is the evidence of the C.P.R., which has been carefully prepared by C.P.R. personnel who have had the specific task of proving great losses. The City is limited to the

contention that the decision to discontinue has been reached months, or even years, in the past and the C.P.R., in the interval, literally made its own case from the time of their decision up to the time of the hearing. These contentions cannot be documented to the extent of the case by the C.P.R. The only hard, cold, alleged facts before the Board is the C.P.R. evidence, and the decision usually is to go along with the C.P.R. request. To be specific, our representatives feel that there is absolutely no doubt in their minds that the C.P.R. downgraded the "Dominion" before the application to the Board.

- (b) The Railway Act that the Commission is operating under is outdated. Proposed changes based on the MacPherson Royal Commission are now outdated, even though these proposals would be updating.
- (c) The Board of Transport Commissioners often does not take into account considerations other than railway economic considerations (specifically excluded in the Board judgment on the discontinuance of the "Dominion".) (Freedman Report on run-through controversy)

6. The arguments based on the contractual relations between the Government of Canada and the C.P.R. (1880-1888) have, no doubt, been more forcefully presented to you than we are able to present them, but we fervently believe that these arguments are as valid in 1966 as they were in 1881. We believe it to be inconsistent for the C.P.R. to continually request that they be allowed to limit the burdens placed by the contract, but will continue to reap the benefits. In our view, the contract is an entire contract, and not severable as to stations, branch lines or services that do not pay, and mineral rights, hotels and other investments that do pay.

7. In the past, the Canadian Pacific Railway has met the challenge of covering its losses by developing the resources given in 1881, by diversification, hotels, steamships, etc. The C.P.R. has even gone into the governmental function of colonization. At that time, they saw the C.P.R. as a whole complex with one aspect, dovetailing another for the purpose of a profit or minimized loss on the overall picture. Today, each little branch line, rural station or service must pay for itself in their view. We object to this attitude, and believe a good deal of the present financial position of the C.P.R. is based on profits that originated in Western Canada, whether from mineral rights, land sales or their other endeavours. We believe the C.P.R. has a duty, not only to its shareholders but to the nation. A quick look at the market will indicate that the Company has done well for its shareholders. We feel the Government should see that it does well for Canada.

8. The C.P.R. and past governments have not gone along with the strict contract arguments put forth and we, therefore, believe that the entire relationship between the C.P.R. and Canada should be re-examined. We feel that re-examination is only logical if we consider the action that the C.P.R. would take, should the Government of Canada not have lived up to its commitments. If pressure through politics not redress meant a breach of governmental commitment, the C.P.R. would, no

doubt, immediately go to the Supreme Court. If re-examination is undertaken a long, hard look should be given to the tax exemption provisions. Municipalities have, in the past, and will continue to object to the federal government magnanimously giving the C.P.R. municipal tax benefits. It is an undisputed fact that the C.P.R. uses municipal utilities, requires municipal fire protection and, in most cases refuses to bear the costs of local improvements abutting its property. We believe that it is remarkable that the management of the publicly owned railway attempts to meet the challenge of competition to its passenger services for the purpose of minimizing losses while the Canadian Pacific Railway applies to the Board of Transport Commissioners for relief.

9. We submit that whether or not a re-examination of the C.P.R.—Government of Canada relationship takes place, funds should be allocated for an expert independent research into all applications before the Board in railway matters. We believe these research results presented by some type of public defender or, as the Railways might suggest "devil's advocate", is necessary and must be set up as the municipalities that are immediately affected by an application do not have the money, time or personnel to adequately give any counter arguments.

10. We feel there should be an immediate re-examination of all aspects of transportation and that a national transportation policy should be formulated, and implemented. Unless such a policy is in existence, transportation problems cannot be geared to assist such programs as the designated areas legislation.

In conclusion, we would like to say that in our opinion any national transportation policy must be based on new thinking. It may be that the railways will be obligated to co-operate with one another and with other transportation facilities. It may be that one Board should be over the entire field of transportation. It may be that some of these transportation facilities should be nationalized.

All of which is respectfully submitted

City of Winnipeg,
City of Brandon,
City of Portage La Prairie,
City of Regina,
City of Moose Jaw,
City of Swift Current,
City of Medicine Hat,
City of Calgary.

APPENDIX "G"

Submission by Mayor H. L. Henderson, of Portage La Prairie, Manitoba.

Mr. Chairman and Members of the Committee on Transport and Communication:

The very first word I would like to say is an expression of appreciation for the privilege and responsibility afforded to appear before your Committee, representing as it does the vast and intricate questions which revolve around the whole issue of Transport and Communications in this critical moment on our History.

It is not my purpose to put before you a long history of transportation in this nation. This story has been told and written by many persons, competent in the fields of History and Transportation. Your Committee already will have read, heard and studied the historical approach.

Let it be said, however, that when Canada was a nation of a few million people, and in particular when Western Canada was barely emerging from a "prairie wilderness", the forebears of the Canadian Pacific Railway and the Canadian National Railway were in constant tension and competition—for the "right" to secure this "borning" and brightening *star* area of this continent—to serve this area with a network of railways in order to reap their fortunes on the passenger and grain trade, as well also as the servicing of the people of the West.

Let it also be said that the *forebears* of the present Canadian Pacific Railway received from the people of Canada \$25,000,000.00 and 25,000,000 acres of land with all the rights, privileges, and responsibilities pertaining thereto.

Now, in less than one hundred years later, when the population of Canada nears the twenty million mark, these same railways are again in a period of *tension* and *competition* to see how quietly and quickly the "rails" can be torn up and removed from the area and in particular from the servicing of the grain trade.

It must be remembered that the habits, customs and travel routes of a nation—and in particular of a farming community—are not easily changed, diverted, and destroyed.

Many farmers have their whole farming operation oriented to the branch line railway. To change this pattern will require many years, and in some areas, will involve transportation subsidies; for example: farmers have for many years delivered their grain quotas to an elevator situated on a nearby branch line. The branch line is removed; this necessitates trucking the grain for twenty or thirty or even fifty miles. Surely this farmer cannot be expected to survive in a field where competition is so keen. Surely he cannot be expected to absorb this additional expenditure. It is here that transportation subsidies to the individual

farmer must be considered for a period of time until the farmer has completely "rationalized" his production of grain and has reoriented the transportation of his product to the nearest *new* delivery point. Right at this exact point we would strongly recommend that an authoritative committee or commission be appointed by the Government of Canada from among the citizens of Western Canada with terms of reference to advise on a "gradual" modification of the present branch lines system.

This is a serious problem in Western Canada and it requires the serious consideration of your Committee and the Government of Canada.

AIR CANADA

Much has been written, many briefs have been presented, and great discussion and debate have all surrounded the Air Canada issue in Western Canada, including the retention of the overhaul base at Winnipeg.

It is sufficient here to state that Western Canada, by its very location, must be brought fully and completely and *NOW* into the *air* age and the *space* age. We are not content to sit back and allow so many of the advantages to pass us by.

I know it can easily be argued that Western Canada has not the concentration of population to warrant the air travel servicing which we are requesting. However, this problem works both ways. We shall not be able to build this portion of our Nation in the air-space age unless we have the air servicing to match our vision of a modern community of boundless enterprise and opportunity.

In Manitoba we have some of the greatest resources of this whole nation and in some areas we have a *world* renowned supply of resources. I need only mention the nickel at Thompson, Manitoba, the Grand Rapids Hydro Development which is fast transforming a northern "wilderness" into a productive community.

I would like to point out the recent joint announcement by the Government of Canada and the Government of Manitoba with respect to the development of the Hydro resources on the Nelson River—a one thousand million dollar program—to harness the Nelson River, to divert the Burntwood River, to make available to Manitoba, and by a network system to our neighbouring provinces this vast resource of power.

A further announcement has been made by the Premier of Manitoba that a \$100,000,000.00 forest products industry has been secured for northern Manitoba, centered at The Pas. These projects are proceeding forthwith and when completed will transform northern Manitoba.

It is our purpose in presenting this brief to point out that such development in 1966 and through to 1970 will demand an ever increasing air travel program.

For the above and other reasons, we would urge that:

1. Winnipeg be placed high on the priority list as an air travel centre for Canada, and Internationally. To this end we would urge that Winnipeg be connected with Chicago by Air Canada servicing.

2. That Winnipeg be established as a centre for international flights to European points, not only for Air Canada but also for Scandinavian airlines and other international carriers.

3. That improved air servicing be initiated to United States centres from such points as Regina, Calgary and Vancouver.

We recognize that much has been done, but, to paraphrase, "your Department must keep running as fast as it can—merely to stay just where it is", and faster than it can to keep up with the exciting pace of new development in Western Canada.

We come now to a specific issue: The Removal of the "Dominion" from the Canadian Pacific Railway Passenger Service.

We remember, just a few short years ago, the great splurge of publicity and advertising employed by the Canadian Pacific Railway to announce the arrival of two completely new *crack* passenger trains: "The Dominion" and "The Canadian". We remember also the attempt to have the Canadian named "The Royal Canadian". I suppose to keep it in the line of descent of the "Royal Scot". Our citizens turned out to see these new trains, and with a feeling almost of "awe", we saw "The Canadian" pull into station, and in fleeting seconds, saw it on its initial run.

Portage la Prairie was not listed as one of the original stopping points, but with our customary historical sense of pride, we were not going to let this "crack" train bypass us. So we initiated action which gave results, and the two "crack" trains—"The Dominion" and "The Canadian"—from that time to 1965 serviced our City.

From here on, the picture becomes confusing. The Canadian Pacific Railway announced that application would be made to the Board of Transport Commissioners to discontinue "The Dominion."

The Wheat Board announced a huge wheat deal with China and called for the co-operation of the Canadian National Railway and the Canadian Pacific Railway in the movement of the grain. The Wheat Board apparently received the assurance (although this has since been denied) that the Railways could move the grain.

The Canadian Pacific Railway then stated that it would have to cancel "The Dominion" in order to use the diesel locomotives to move the grain—Let me say here Mr. Chairman, that this announcement was a real *shocker* to us all in Western Canada. Until this particular moment there was no connection whatsoever between the Wheat deal and "The Dominion". Furthermore, we would like to know *right here* what actually happened to the diesels removed from "The Dominion" service. Did they land up in a diesel yard? At Minnedosa in Manitoba? At Toronto? At Montreal?

We would like to have a full verified statement with respect to the location of "Dominion" diesels on the date prior to which we shall call "Dominion Doomed Day" and a date post "Dominion Doomed Day". I have not heard one official voice in Western Canada state that the "Dominion" should be removed from service. And on the contrary—official groups, organizations, City and Rural Councils have *urged* that "The Dominion" be continued in service.

I am sure that your Committee has been furnished with a supply of the protests that have issued from the removal of "The Dominion". These include, among so many others:

1. The Province of Alberta
2. The Manitoba Urban Association
3. The City of Moose Jaw
4. The City of Regina
5. The City of St. Boniface
6. The City of Edmonton
7. The City of Red Deer
8. The City of St. James
9. The City of Lethbridge
10. The Town of Carberry
11. The City of Medicine Hat
12. The City of Brandon (brief)

A brief was also presented by the City of Brandon Chamber of Commerce and a "joint" brief by the representative cities of Western Canada. Surely, Mr. Chairman, this should show—positively and definitely—the desires, the requests, the pleadings of the people of Western Canada.

If this problem arose because of the removal of "The Dominion" only, this might not be quite as important. However, the people of Western Canada, the people of our City, the people of our cities, towns and villages, are very much concerned as to what may happen in the immediate, near, and not so near future.

The Board of Transport Commissioners apparently listened to the Voice of the Canadian Pacific Railway and also apparently considered our voices as those "crying in the wilderness". Let me assure you and your Committee that we are not going to let our voices die down unless and until we receive the restoration of service by the Canadian Pacific Railway through the former *crack* trains "The Dominion" and "The Canadian". Some people have even stated that the former "crack" trains are now "Cracked" ("The Dominion") and "Half-cracked" ("The Canadian").

We find no reason in the arguments presented by the Canadian Pacific Railway for the removal of "The Dominion". The Canadian Pacific Railway has a responsibility to fulfill and a duty to perform to the people of Canada, because of the subsidies received from the people of Canada—the \$25,000,000.00 in money and the 25,000,000 acres of land.

If the Canadian Pacific Railway wishes and is determined to drop completely its passenger service then let the Canadian Pacific Railway return to the people of Canada the original grant of \$25,000,000.00 with compound interest computed annually, at the annual average interest rate, and let the Canadian Pacific Railway return to the people of Canada the 25,000,000 acres of land.

AND further let the Canadian Pacific Railway return to the people of Canada the net profit with accrued interest on all subsidiaries which have been developed on the land "gift" of 25,000,000 acres.

We would want to secure a complete list of these subsidiaries connected in any way with the original land and money gifts.

If the Canadian Pacific Railway wishes to default with respect to its obligations to the travelling public of Canada, then let the Government of Canada establish the Canadian Pacific Railway as a government operated railway.

To return to the Board of Transport Commissioners:

The Board of Transport has stated that it will not require the Canadian Pacific Railway to place "The Dominion" in service during the summer holiday period in summer.

One further point:

We have received numerous complaints that the "reservation" system of the Canadian Pacific Railway is next to impossible. People have stated that they have tried to secure reservations, only to be told that no space is available. Some persons have waited for weeks, even months, before reservations have been confirmed.

Others have stated that they have tried to secure reservations and have been told that none were available. These same persons have "boarded" the train to find only *fourteen* persons on the whole train. It is for this reason that our City Council has requested the Government of Canada to "take over" the total reservation complex for a period of three months to see exactly what is happening and why it is that the Canadian Pacific Railway is not running "full" trains.

We are not happy in any way, shape, or form, with recent *orders* from the Board of Transport Commissioners, lifting the present ten mile-per-hour speed limit through the City of Portage la Prairie, without any hearing taking place in this city with respect to the application by the Canadian Pacific Railway. The Board order will permit a rate of travel which is dangerous to the people of our City as they travel from the residential area to the industrial area. At the same crossings there have been serious accidents, and countless "near-accidents".

We would strongly recommend that a "Transport Board" be established for Western Canada, such Board to have full and complete responsibility for the Western Provinces. This Board also to be composed of citizens with at least twenty years residence in Western Canada, and furthermore, that its Members have no connection whatsoever, either by previous employment or "stock" ownership in any railway or transport system in Canada.

Mr. Chairman and Members of the Committee, we thank you for the opportunity to present our views and our strong and studied opinions and recommendations. It is our hope that they will be useful in determining the future of the development of Western Canada—that world-renowned source of

the world's best wheat—the area of Canada which has a tremendous potential of power developed, and developing, and that we may secure for Canada a place—an important place—in the air-space age.

To this end we will ever turn our efforts.

To this end we will dedicate the abilities of head and hand and the loyalty of heart,

That Canada may in reality be a "Dominion" from Sea to Sea and from the rivers to the ends of the earth.

A MARE AD MAREM

H. L. Henderson,
MAYOR,
City of Portage La Prairie,
Manitoba.

MARCH 1966.

APPENDIX "H"

SUBMISSION OF THE CITY OF BRANDON, MANITOBA (Endorsed by the Brandon Chamber of Commerce)

In the matter of an application by Canadian Pacific Railway Company respecting Trains No. 3, 4, 13 and 14, more commonly known as "The Dominion", and related matters.

IN THE MATTER OF AN APPLICATION BY THE CANADIAN PACIFIC RAILWAY COMPANY RESPECTING "THE DOMINION" (B.T.C. File No. 27563.479)

Gentlemen:

The citizens of Western Manitoba were shocked to read, last August, that Canadian Pacific Railway Company has served notice on the Board of Transport Commissioners that it proposed to discontinue trains 3, 4, 13 and 14, known as "The Dominion" (and referred to hereinafter as "The Dominion"). These citizens received comfort and reassurance when your Board promptly, and with decisiveness, ordered C.P.R. (Board Order 118362 dated September 1st, 1965) "to continue to operate "The Dominion" pending public hearings by the Board to inquire into the need for the trains, . . .". In accordance with that part of the said order which states that "interested parties may present evidence and submissions in relation thereto" the City of Brandon, because of its keen interest in the continuance of service by "The Dominion", is pleased to appear before you today and state its reasons why it feels this Board should dismiss this application. Because Brandon is in what is called the Brandon-Moose Jaw district the City of Brandon felt that its submission could be heard most appropriately at these Regina hearings.

For the purpose of the record I must advise you that this brief is presented on behalf of the Mayor and Council of the City of Brandon, the elected representatives of *all* Brandon citizens. Because of the interest of the Brandon Chamber of Commerce in the welfare of the Brandon business community and the joint and common concern of both the City and Chamber in the growth and prosperity of the entire Western Manitoba community the Brandon Chamber was invited to assist in the preparation of this submission and I am authorized and instructed to state that the contents of this submission have been endorsed by the Brandon Chamber of Commerce.

At the outset of our submission I must protest as vigorously as possible that Canadian Pacific Railway Company is acting "in contempt" of paragraph No. 1 of Board Order 118362 which states that "Canadian Pacific Railway Company shall continue to operate the present passenger service provided by "The Dominion" until the Board orders otherwise. This order was dated September 1st, 1965. Any similarity between the service provided by "The Dominion" on September 1st, 1965 and that provided since September 7th of this year is

completely unrecognizable. As a matter of fact there is even no comparison between the service provided by "The Dominion" today and that provided by "The Dominion" in the post Labour Day period last year. Railway regulations apparently permit the railways to curtail service but even the most ridiculous exercise in semantics does not permit them to emasculate service to the extent that the C.P.R. has done with "The Dominion" today—two coaches, one baggage car and one diesel unit. I respectfully submit that this action is in contempt of your directive to "continue to operate the present passenger service" and, in any event, it treats prospective users, especially those who desire to travel any substantial distance, with complete contempt for their comfort and can only be described as a deliberate conspiracy to drive or discourage passengers from using "The Dominion" so that their argument that the heavy losses they allege they are already experiencing will increase and passenger use will diminish. What else can you expect from transcontinental train service that is provided by two coaches, one baggage car and one diesel unit?

Two coaches, one baggage car and one diesel unit. Is that what we are fighting for today, Mr. Chief Commissioner? Can you not see the ridiculous position we are in today—deliberately (and cleverly) placed there through the orders of the top management officials of the C.P.R.—extremely capable men, with intelligence, working in the interests of their shareholders but not necessarily in the interests of the people of Canada and, in this instance, certainly not in the interests of many, many people in the Southern Regions of the Prairie Provinces. Are we fighting for the retention of a service that has been deliberately reduced to the comic strip proportions of a Toonerville Trolley? Certainly not. What we are fighting for now is the restoration of a service to at least its former respectability as we knew it in the post Labour Day period of September, 1964, and its continuance in that form until a national transportation policy has been established by our Federal Government.

On September 7th, in our railway division, all the comforts of travelling were removed from "The Dominion" when dining and sleeping cars were taken off. Did you know, Sir, that at the same time the C.P.R. was pursuing a policy of closing down all non-privately owned station restaurants on its transcontinental line. Specifically station restaurants at Broadview and Moose Jaw have been closed and these are places where "The Dominion" stops long enough for a passenger to obtain a quick light snack. This has all the ear-marks of another deliberate step to discourage passenger patronage of "The Dominion" although the C.P.R. will probably advance the argument that this has been done in the interest of economy. It is significant, however, that this step coincides with the avowed determination of the C.P.R. to get out of the passenger business. Many prospective passengers might otherwise travel on "The Dominion" if food was not so difficult to obtain. In these circumstances a modern day Governor of North Carolina might well say to a modern day Governor of South Carolina, "It's a long way between drinks—and food on "The Dominion".” Seriously, there does not appear to be a single field that C.P.R. officials have overlooked in their drive to get out of the passenger business especially in the area of discouraging prospective passengers from patronizing their service. This may look like good business practice at meetings of the C.P.R. Board of Directors but it is pretty hard for a rural resident of the Southern Prairie Provinces to swallow especially in the face of equally determined efforts by the Canadian National Railways

to encourage passenger patronage and their published projection that they can make it pay by 1968. This is made even more unpalatable as these rural residents become more conscious of the fact that they are not enjoying either the population growth or the industrial prosperity of the people of Ontario and Quebec and this gap is widening with each successive day.

When your Board issued Order No. 118362 it directed the C.P.R. to provide amongst other things relevant information to establish its reasons for discontinuance of "The Dominion". In keeping with its past history the C.P.R. supplied the barest information in their reply dated September 14th, 1965. Is this document, dated September 14th, the full story on which C.P.R. management made its decision to discontinue "The Dominion"? If this is so then obviously their ability and right to continue to manage is open to question. I submit, with respect, that C.P.R. management had much more material evidence available to them than is contained in their letter of September 14th. The result is that most of the relevant facts are still in the sole possession of the Railway representatives and, as a result, protesting parties to this application cannot provide positive evidence to refute the submissions of the Company. Our only avenue of recourse is to urge upon your Board that this application should be examined very carefully and the figures and statistics submitted by the Company to be thoroughly scrutinized and tested before any curtailment of service is permitted. It is not too long ago that C.P.R. loss and cost figures submitted in evidence to the MacPherson Royal Commission on Transportation were either rejected or reduced in the final report of that body as they did not stand up under the competent cross-examination to which they were exposed. I respectfully suggest that the same fate would befall the loss figures submitted by the Company to support their application in this case if they were available and exposed to similar treatment.

Much has been made of the C.P.R.'s need for the diesel units servicing "The Dominion" for transference to other freight moving duties. Why is it that the C.N.R. is not a similar position? They provide more passenger accommodation than does the C.P.R. yet they do not seem to need additional diesel units. Is it lack of planning on the part of the C.P.R.? This I doubt for it is known for its capable management personnel. When the C.P.R. found that they had no rail facilities to give direct service to the potash mines located near the C.N.R. main line at a Saskatchewan point, what did they do? They applied to this Board for permission to build a rail line to serve these new mines. It is significant that the last spike in the new rail line was driven *the day after* permission to build the line was granted. That is planning—that is confidence—that is good management. Why is there such an emergency today that requires "The Dominion's" diesels now when there was no similar emergency in 1963? Is it just a subterfuge to bolster a weak argument for passenger train abandonment? Has there been adequate maintenance of all the units available? What search has been made to see if any units could be transferred from other freight operations? These are just some of the questions, Mr. Chief Commissioner, that we would ask your Board to explore on our behalf before you reach any final decision and this is particularly pertinent in view of the fact that C.P.R. has been permitted to abandon certain branch rail lines, over the past two or three years which should release several diesel units for other work.

We particularly deplore the emotional appeal that the C.P.R. introduced at the opening hearing of this application in Winnipeg on September 27th. An atmosphere of "National emergency" permeated the opening hours of that sitting. It is to the credit of this Board that they resisted that emotional appeal in spite of the parade, through the witness box, of several distinguished and respected members of the grain handling trade who supported the C.P.R. request for immediate discontinuance. This resistance was proven to be well justified when the C.P.R. President, under cross-examination, refused to state that a national emergency existed but toned down the emotional atmosphere when he limited his evidence to a simple statement that it was, in his opinion, in the national interest to move our wheat in order that our international commitments be met. The C.P.R. case for immediate discontinuance was almost completely demolished when Counsel for the Province of Manitoba established, through subsequent cross-examination of a C.P.R. witness, that only ten (10) additional units out of a total inventory of One Thousand and Sixty-six (1966) would be made available for grain movement. As Counsel for the Alberta Government remarked later (at Winnipeg) suddenly these ten units had become the most important units in the entire C.P.R. system, a statement that properly relegates them to the ridiculous limbo in which this argument belongs. What was particularly deplorable about this "emergency" argument was the secrecy in which it was shrouded until the last minute. That this was a tricky and clever manoeuvre was made obvious when the lead-off witness for the C.P.R. presented a very well worded submission in support of their motion that certainly was not prepared "after breakfast" that Monday morning. The C.P.R. should know that these tactics have left a bad taste in many mouths in Western Manitoba and perhaps even further West.

I cannot leave this agricultural argument without drawing the Board's attention to recent explanatory comments of the C.P.R. President published since the Winnipeg hearing and which appeared in the October 7th, 1965, edition of the *Winnipeg Tribune* which, if correct, substantially nullifies the C.P.R. submission that grain movement is an important element in the Company's case for discontinuance of "The Dominion". The first part of the story appears as follows:

Canadian Pacific Railway President R. A. Emerson Wednesday blamed grain handlers' strikes last summer for the boosted fall delivery targets his company is having trouble meeting.

He said in an interview there has been no change in the total amount of grain the C.P.R. agreed to try to deliver for the Canadian Wheat Board during the crop year which began last August 1, and ends July 31, 1966.

But he added that delays caused by the strikes in Vancouver and Montreal later caused the Wheat Board to ask the railway to deliver a much higher than usual proportion of the total amount before the close of the Great Lakes shipping season in the middle of December.

Mr. Emerson took issue with a *Tribune* report which said that he admitted at a Winnipeg hearing of the Board of Transport Commissioners that he had co-signed an agreement with the government that his company could handle grain shipments without knowing exactly what it involved.

In his first visit to Winnipeg since the Sept. 28 hearing, the C.P.R. president denied that "any grain-moving muddle existed" or that he had now known the exact amount.

He said the transport commissioners hearing has been called to consider the C.P.R.'s application to drop its second transcontinental passenger train, the Dominion. In his testimony, he has mentioned grain movements only incidentally as a subsidiary reason for dropping the Dominion.

All of a sudden the C.P.R. President has displayed an attitude of casualness to the importance of grain movement—all within a week from the time he stepped out of the witness box after imploring this Board to authorize the discontinuance of "The Dominion" so that ten (10) diesel units could be transferred to grain movement "in the national interests". All of a sudden conditions have changed and grain movement is only incidental and a *subsidiary reason for dropping "The Dominion"*. Subsidiary has been defined as "assisting in an inferior capacity". This certainly downgrades the evidence he gave some two weeks ago before this Board. As a matter of fact, his evidence has now been down-graded almost to the same degree as "The Dominion" was down-graded on September 7th, last. With this change in the wind I suspect another olfactory disturbance in Shakespeare's Denmark. The agricultural argument for grain movement "in the national interest" as a reason for discontinuing "The Dominion" has now been destroyed and I hope it will be given a decent burial and laid to rest permanently insofar as this application is concerned.

We are unable to deal statistically with the job displacement factor as this would involve calling Company employees to give evidence against their employer. We are, however, told that when a train is reduced to less than eight (8) cars, one trainman can be displaced. Two coaches and one baggage car are certainly less than eight cars so that we know some trainmen have been displaced. Some of them will have several years of service behind them and cannot be classified as "junior employees". We are informed that the job displacement factor will be dealt with at your hearings in Ottawa where Labour Union representatives will submit evidence in this regard. We can support their submissions to the extent that we feel that there is a moral obligation on the part of any company to find alternative employment for all employees with any substantial number of years of service. Attention should also be drawn to the fact that most divisional points are located in small centres who feel even slight vibrations from any diminution of the labour force. We, at this time, can only plead for a real and sympathetic attempt on the part of C.P.R. to disturb the job factor and family life as little as possible through alternative jobs and, where possible, in the same area as their present employment.

C.P.R. senior officers have, for some time, been making public statements expressing a determination to get out of the passenger business. Any doubt as to this determination was dispelled when they raised passenger fares and, last month, reduced "The Dominion" to two coaches, one baggage car and one diesel unit. As further evidence of this determination we suggest (as we are informed) that you will find standing orders posed in the office of the Yardmaster at Brandon forbidding the addition of any cars, for any reason or under any

circumstances, the "The Dominion". This means that if additional passengers are prepared to patronize "The Dominion" even in its present condition the C.P.R. has standing orders forbidding this accommodation. In the past Labour Day period of 1964 "The Dominion" carried a Dining Car and Mail and Express cars. Since September 7th of this year the Dining Car and Express Cars have been removed and the Mail Car was removed earlier this year. Revenue comparisons now cannot be fairly made as important revenue earning units have been removed. Is the C.P.R. to be permitted to develop an argument that "The Dominion" is a money losing effort when they deliberately refuse to utilize revenue earning units on this service?

Alternative passenger service is promised through additional cars on "The Canadian". This is on an "as required" basis. The problem here is the interpretation as to what is meant by the words "as required". Our information is that "The Canadian" is already sold out for the 1965 Christmas season and almost all of, if not all of, December 1965. Second sections are not contemplated so when do you stop adding cars? How many cars can you heat during severe winter weather? We have been told that the present steam generators are not capable of supplying sufficient steam to successfully heat more than fifteen (15) cars in the winter months and "The Canadian" is presently running around twenty-one (21) cars. Apparently the train must be slowed down or stopped in order to build up more steam. Is the answer to add more tractive units for the sole purpose of supplying heat and thereby reducing the tractive power available for money-making freight movement? Is the alternative to carry cold passengers and thereby discourage them from patronizing that train and, as a result, provide the initial evidence of non-use for a future application for discontinuance of "The Canadian" as the next C.P.R. step to get out of the passenger business? The people in our area have many misgivings as to the consequences that will result from discontinuance of "The Dominion" if it is permitted and they know that suitable and adequate alternative service will not be provided. That is why we urge you to dismiss this application.

There is only one more area that we propose to explore and that is the circumstances through which the Canadian Pacific Railway got its start. By its Act of Incorporation and contract with the Government of Canada it received \$25,000,000 and 25,000,000 acres of land which was tax exempt. In consideration of this it undertook a duty and obligation to "thereafter and forever efficiently maintain, work and run the Canadian Pacific Railway". When this contract was entered into the business of the railroads was the movement of "passengers and goods" and this was so for well over three-quarters of a century. Now the C.P.R. conveniently ignores its original obligation to move passengers. When the Manitoba Government intervened, not long ago, in the tax dispute between the C.P.R. and the City of Winnipeg, the C.P.R. were quick to plead "sanctity of contract". Now the shoe is on the other foot. We plead that the movement of passengers was clearly intended to be included as part of the contractual obligation of the C.P.R. and this has, in fact, been the case throughout almost the entire history of this operation. We feel that this is still the fact and any proper interpretation of the original contract would confirm this. Therefore, we submit, that the C.P.R. must continue to operate "The Dominion" as part of its original contractual obligation and we urge you to not only dismiss this

application but also to direct the C.P.R. to restore "The Dominion" to its composition of respectability at least as it operated in the immediate post Labour Day period of 1964.

In the alternative, if this application is approved then the City of Brandon feels that the tax exemption concessions given to the C.P.R. in the original agreement should also be withdrawn. Tax exempt land and buildings owned by the C.P.R. in Brandon have an assessed value of \$997,410.00. Based on the 1965 tax rate this would provide Brandon with an additional revenue of \$67,325.17, a not insignificant amount. If the C.P.R. wants to press the argument of "sanctity of contract" on the tax issue, Brandon is just as determined to press it with respect to the passenger issue. Simply stated, either provide proper passenger service or pay taxes. The C.P.R. cannot have it both ways.

The City of Brandon submits that it is in the national interest that the service supplied by "The Dominion" be continued and maintained. Brandon feels that there are several communities who will lose all service if the requested application is granted, therefore, they can establish that public convenience and necessity requires its continuance. (As an example, one Brandon user has advised us that he used to have perishable goods sent from the West Coast which would arrive at Brandon between 18 and 24 hours after they were sent but that since the curtailment of "The Dominion" service on September 7th last it now takes from six to seven days. This must be only one example of hundreds who no longer receive satisfactory service. Time has not permitted proper development of this case yet.)

Time seems to be working against the Canadian Pacific Railway. Every few days one or other of our news media publishes information reflecting on Canadian National Railway's ability to more than meet their obligations. Last Saturday, October 9th, the afternoon edition of the Winnipeg Tribune carried a front page story headed "Tardy grain deliveries tie up lake, sea vessels". Written by Tribune Staff Writer Val Werier applicable excerpts are selected as follows:

At the time of the emergency meeting called by Trade Minister Sharp on September 24 to consider the delay in grain shipments, the railways speeded up their deliveries and met their schedule of 1,350 cars daily to the Lakehead. Now, grain officials say, it has declined to 1,150 box-cars daily.

Grain officials state that the C.P.R. has moved 6,000 fewer box-cars of grain from country points to the Lakehead and Vancouver as from Aug. 1, compared to the same period last year. The C.N.R. is ahead by 2,000 cars over last year.

Last year, Canada exported 395 million bushels of wheat; this year it has sold 600 million bushels. This means that the C.P.R. has moved less grain this year than it did in 1964, a smaller export year.

"This is not a speedup", says one grain official. "This is a slowup".

It is unfortunate for the C.P.R. that this type of publicity should be published at the same time that they are making this application for passenger train abandonment. As if the above newspaper story were not bad enough, the Brandon T.V. Station, during its supertime newscast last Monday (Thanks-

giving Day) carried a news story on what a good job the C.N.R. was doing in moving grain. This story was accompanied by the supporting evidence of a picture (film clip) story showing actual grain movement. It would almost appear as though the C.N.R., through the use of our news media, were trying to disassociate themselves from the picture that the C.P.R. is presenting through these hearings. By clothing this application in the emotional robes of an agricultural argument and having it demolished by contradictory news media stories, in addition to the test it failed to withstand under cross-examination, the C.P.R. will find that its public image is becoming badly tarnished in the eyes of many, many people in Western Canada. Already one free enterprise organization has implied that nationalization of the C.P.R. may become desirable. This suggestion may well snowball in the face of the public attitude that is crystallizing as the C.P.R. public image loses stature.

The City of Brandon feels that this application should be denied on the grounds that it is in the national interest that "The Dominion" be continued. Public convenience and necessity require this service, even beyond the passenger cars themselves, for with the removal of Express Cars adequate alternative service for some shippers is not being provided. Many points in Western Canada served by the C.P.R. will have no rail service whatsoever if this application is approved and this situation should not be permitted until after such time as a national transportation policy has been established. Legislation replacing the Bill C-120 of the last Parliament has been promised early in the proceedings of the next Parliament and no great hardship will result from delaying a decision until then. Perhaps the C.P.R. hoped to get this application disposed of before the new legislation becomes effective so that it would not apply to "The Dominion". The City of Brandon feels very strongly that all existing rail services should be maintained until our national government decides on a national transportation policy and one has been established.

In any event the City of Brandon urges that the revenue and cost figures presented by the applicant Company are inadequate and incomplete and much more detailed information on what is included in the "variable cost" figures is needed for examination before they can be properly tested and a successful case for the applicant Company established. For this reason, together with all the other reasons enumerated herein, the City of Brandon urges you to dismiss this application.

All of which is respectfully submitted

On behalf of

THE CITY OF BRANDON

by

Norman S. Bergman, Vice Chairman,
Transportation Committee

BRANDON CHAMBER OF COMMERCE.

March, 1966.

APPENDIX "I"

Submission on behalf of the City of Brandon

The City of Brandon over the past 30 years has enjoyed steady growth. Population projections prepared for the City by two different firms of reliable and well known engineers show an acceleration of this rate of growth. The complete statistics regarding this growth and the projections are shown in a sheet attached to this Brief called Schedule I.

As well as catering to this urban population it should be pointed out that Brandon is the centre of a very large trading area which presently consists of 186,000 persons. This fact can be readily appreciated when it is pointed out that Winnipeg is the closest centre to the East and Regina the closest centre to the West with no major centres to the North or South.

Brandon is also enjoying a steady industrial growth and the increase in job opportunities. If the reader would refer to attached Schedule II which has been prepared by our Industrial Commissioner it outlines a fairly accurate picture on this growth and what we may expect in the foreseeable future.

This growing community will need *additional* transportation facilities in the not too distant future. Curtailment of any of our present facilities is most unacceptable to our citizens, to say the least, and *would greatly harm the development now in progress.*

To promote the growth of this area the citizens of Brandon through its City Council have established an Industrial Commission with a capable Commissioner employed on a full time basis, suitable offices and secretarial help.

Further, to promote the industrial growth of our city, the City Council has made available, at low cost to industry, a large tract of land to be developed as an industrial park.

We submit that, to develop any city such as Brandon with a view to providing employment opportunities for our growing children, adequate transportation facilities in all fields is a fundamental requirement. Indeed, such transportation facilities should assist with that growth!

It is difficult to document the many complaints that Mayor and Council hear from citizens regarding inadequacy of present passenger service. However, it is a fact that, it is frequently difficult to get passage on passenger trains at the time that travel is desired. It is not always possible to book accommodations many weeks in advance, as is necessary with the present service, as trips often cannot be planned that far ahead. Also sickness and death often require immediate facilities being available.

To keep pace with the industrial expansion already in progress in this area and to assist in attracting further new industries as well as to provide for the private convenience of the citizens; the Mayor and Council of the City of Brandon urge the Government of Canada to take the following action:

Establish policy whereby Brandon and all western Canadian cities will have adequate rail transportation for passengers, express and freight

—such facilities not only to accommodate present population and needs but also to be available for the immediate apparent growth of this and other urban centres.

The above is respectfully submitted for your earnest consideration.

Prepared by Ald. G. D. Box
for, and on behalf of, the
Mayor and Council of the
City of Brandon.
March 21, 1966

CITY OF BRANDON
POPULATION FIGURES
(Civic Census)

1937	17,417
1939	16,417
1941	17,888
1943	18,470
1945	17,415
1947	18,801
1949	20,045
1951	21,214
1953	22,320
1955	23,827
1957	25,807
1959	26,908
1961	27,944
1963	28,638
1965	29,629

Population projection of Haddin, Davis & Brown in 1962:

1965	30,500
1975	37,500
1985	46,000

Projection of Underwood, McLellan & Associates in 1962:

1971	35,000
1982	42,500

(By the above, the two Consultant firms have much the same thoughts.)

SCHEDULE # I

Attached to Brief of City of Brandon
March 21, 1966

March 21st, 1966

Alderman G. D. Box
City Hall
Brandon, Manitoba

Dear Alderman Box:

Further to your request for information on the growth of the industrial sector of our economy and the expansion expected in the future, the following are charts which will illustrate the City's past performance:

Year	No. of Plants	Industrial Jobs	Gross Production
1950	41	754	\$13,192,304.00
1955	44	945	17,700,000.00
1961	—	1,131	—————
1964	70	1,226	34,523,000.00
1970 (projected)	95	1,880	48,000,000.00

The manufacturing facilities completed from 1964 and now in production are:

Pool Packers Ltd. with 165 employed
McCabe Grain Co. Ltd. with 16 employed
Brandon Poultry Products with 35 employed

Those facilities presently under construction:

Simplot Chemical Co.—\$35,000,000.00 fertilizer complex including
5 plants which will employ between 200 and
300 persons;

Beverage Services Co.—expansion employing 10 additional persons.

Proposed for the immediate future is a large pharmaceutical laboratory, a branch of one of Canada's largest companies in this field; expected to employ 15 persons.

Negotiations are presently underway with six other manufacturing firms which could represent an employment factor of up to 500 persons.

Brandon has experienced a population growth during the past decade of approximately 37 per cent. If we calculate the increase on direct and indirect employment in the area of industrial activities, we may expect an expansion increase of approximately 15 per cent and this could occur within the next two years.

As you are aware, the Brandon area of Western Manitoba has become eligible for Federal Government assistance for new industries establishing and

expansion of existing production facilities. We expect that this program will generate an even greater period of expansion in our area to the point where Brandon's population could be expected to increase by at least 50 per cent to 45,000 persons by 1970.

Yours sincerely,

"J. R. Bates"

INDUSTRIAL COMMISSIONER

SCHEDULE # II

Attached to Brief of City of Brandon

March 21, 1966

HOUSE OF COMMONS

First Session—Twenty-seventh Parliament

1966

STANDING COMMITTEE

ON

TRANSPORT AND COMMUNICATIONS

Chairman: Mr. JOSEPH MACALUSO

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 8

TUESDAY, MARCH 29, 1966

THURSDAY, APRIL 28, 1966

Respecting

The subject-matter of the adequacy of the present program and future plans for passenger service on the lines of the Canadian Pacific Railway.

WITNESSES

From National Farmers' Union: Messrs. Roy Atkinson, President, (Saskatoon); J. N. McCrorie (Regina), Research Consultant; Hans Kieferle (Regina), Economic Advisor.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1966

STANDING COMMITTEE
ON
TRANSPORT AND COMMUNICATIONS

Chairman: Mr. Joseph Macaluso

Vice-Chairman: Mr. Gustave Blouin

and

Mr. Allmand,
Mr. Andras,
Mr. Bell (*Saint John-
Albert*),
Mr. Byrne,
Mr. Cantelon,
Mr. Carter,
Mr. Deachman,

Mr. Fawcett,
Mr. Horner (*Acadia*),
Mr. Hymmen,
Mr. Lessard,
Mr. McIntosh,
Mr. Olson,
*Mr. Orlikow,
Mr. Ormiston,

Mr. Pascoe,
Mr. Rapp,
Mr. Reid,
*Mrs. Rideout,
Mr. Rock,
Mr. Sherman,
Mr. Southam,
Mr. Tolmie—(25).

(Quorum 13)

Maxime Guitard,
Clerk of the Committee.

*Mr. Saltsman replaced Mr. Orlikow on April 20, 1966.

*Mr. McWilliam replaced Mrs. Rideout on April 27, 1966.

ORDERS OF REFERENCE

TUESDAY, April 5, 1966.

Ordered,—That the Standing Committee on Transport and Communications be granted leave to sit while the House is sitting during the period from Friday, May 6 to Tuesday, May 17, 1966 that it be granted leave to adjourn from place to place within Canada during the said period and that the Clerk of the Committee accompany the said Committee.

WEDNESDAY, April 20, 1966.

Ordered,—That the name of Mr. Saltsman be substituted for that of Mr. Orlikow on the Standing Committee on Transport and Communications.

WEDNESDAY, April 27, 1966.

Ordered,—That the name of Mr. McWilliam be substituted for that of Mrs. Rideout on the Standing Committee on Transport and Communications.

Attest.

LÉON-J. RAYMOND,
The Clerk of the House.

REPORT TO THE HOUSE

TUESDAY, April 5, 1966.

The Standing Committee on Transport and Communications has the honour to present the following as its

FOURTH REPORT

Your Committee recommends:

1. That it be granted leave to sit while the House is sitting during the period from Friday, May 6 to Tuesday, May 17, 1966.
2. That it be granted leave to adjourn from place to place within Canada during the said period.
3. That the Clerk of the Committee accompany the said Committee.

Respectfully submitted,

JOSEPH MACALUSO,
Chairman.

(Concurred in on Tuesday, April 5, 1966)

MINUTES OF PROCEEDINGS

TUESDAY, March 29, 1966.

(15)

The Standing Committee on Transport and Communications met "in camera" at 10:00 o'clock a.m. this day. The Chairman, Mr. Macaluso, presided.

Members present: Mrs. Rideout and Messrs. Allmand, Andras, Bell (*Saint John-Albert*), Blouin, Byrne, Cantelon, Carter, Deachman, Fawcett, Hymmen, Lessard, Macaluso, McIntosh, Olson, Orlikow, Ormiston, Pascoe, Rapp, Reid, Rock, Sherman, Southam, Tolmie (24).

The Committee considered and assessed the merit of going out visiting the areas previously serviced by the "Dominion", a train of the Canadian Pacific Railway.

After a long and thorough consideration of the Committee's plans,

On motion of Mr. Lessard, seconded by Mr. Fawcett, it was

Resolved,—That the Chairman of the Committee be hereby instructed to report to the House as follows:

Your Committee recommends:

- (1) That it be granted leave to adjourn from place to place within Canada,
- (2) That the Clerk of the Committee accompany the said Committee.

On motion of Mr. Reid, seconded by Mr. Cantelon,

Resolved,—That the Clerk of the Committee accompany it when it adjourns from place to place; and that reasonable travelling and living expenses of the members of the Committee and of the staff in attendance be defrayed out of the moneys to be provided by the Treasury.

The Committee agreed to the cost analyst of the Board of Transport Commissioners accompanying the Committee on its visit to Western Canada.

The Clerk of the Committee was instructed to have delivered to each member of this Committee, Sessional Paper No. 222, tabled in the House on Wednesday, February 16, 1966, intituled "Canadian Pacific Investments Limited Financial Statements and Schedules for the Year ended December 31, 1963".

At the request of Mr. McIntosh, the Committee asked the Clerk of the Committee to seek legal advice on the agreement of 1881 passed between the Dominion of Canada and the Canadian Pacific Railway.

At 10:55 o'clock a.m., the Committee adjourned to the call of the Chair.

THURSDAY, April 28, 1966.
(16)

The Standing Committee on Transport and Communications met at 9:45 a.m. this day. The Chairman, Mr. Macaluso, presided.

Members present: Messrs. Andras, Bell (*Saint John-Albert*), Cantelon, Carter, Deachman, Fawcett, Hymmen, Macaluso, McWilliam, Pascoe, Reid, Rock, Saltsman, Sherman, Southam and Tolmie. (16)

Also present: Messrs. Ballard and Orlikow.

In attendance: From *National Farmers' Union*: Messrs. Roy Atkinson, President (Saskatoon); J. N. McCrorie (Regina), Research Consultant and Hans Kieferle (Regina), Economic Advisor.

The Chairman opened the meeting and the Committee resumed consideration of the adequacy of the present program and future plans for passenger service on the lines of the Canadian Pacific Railway.

On motion of Mr. Pascoe, seconded by Mr. Fawcett,

Resolved,—That the Committee advertise, in the local daily newspapers of the cities concerned, its public hearings to be held in Vancouver, Calgary, Medicine Hat, Moose Jaw, Brandon, Winnipeg and Port Arthur.

On motion of Mr. Cantelon, seconded by Mr. Fawcett,

Resolved,—That, from today on, the members of the Committee restrict themselves to a 10-minute questioning period of the witnesses appearing before this said Committee.

Then the Chairman introduced the witnesses and invited them to make their submissions before being questioned thereon.

Mr. Atkinson was granted leave to make some corrections to the brief he is presenting on behalf of National Farmers' Union [*These corrections have been made in the printed issue*].

On motion of Mr. Cantelon, seconded by Mr. Reid,

Resolved,—That Table One be printed, in extenso, as an appendix to this day's Minutes of Proceedings and Evidence (*See Appendix "J"*).

On motion of Mr. Southam, seconded by Mr. McWilliam,

Resolved,—That Table 2 be printed, in extenso, as an appendix to this day's Minutes of Proceedings and Evidence (*See Appendix "K"*).

The Chairman interrupted the meeting to welcome a group of 30 R.M.C. Cadets under the guidance of Mr. T. R. Montgomery, former Clerk Assistant.

On motion of Mr. Rock, seconded by Mr. Cantelon,

Resolved,—That the footnotes appearing on page 29 of this brief submitted by National Farmers' Union be printed, in extenso, as an appendix to this day's Minutes of Proceedings and Evidence (*See Appendix "L"*).

The Committee recessed from 11:25 to 11:35 a.m. On reassembling, the Committee began its questioning of the witnesses.

The examination of the witnesses being completed, the Committee thanked Messrs. Atkinson, McCrorie and Kieferle, who retired.

At 1:10 p.m. the Committee adjourned to the call of the Chair.

Maxime Guitard,
Clerk of the Committee.

EVIDENCE

(Recorded by Electronic Apparatus)

THURSDAY, April 28, 1966.

● (9:45 a.m.)

(English)

The CHAIRMAN: I see we have a quorum. I would first of all like to have a motion to approve that the Committee advertise in the local daily newspapers of the cities concerned in which we will be holding our public meetings. Motion moved by Mr. Pascoe, seconded by Mr. Fawcett. All in favour?

Motion agreed to.

We will distribute to you the following documents during the course of the hearing: schedules of the public hearings, plane and train schedules, expenses allowances as specified, and plane insurance applications. We will have a roll call of the members going on this tour after we are finished with the brief before us by the National Farmers Union. These hearings will be held in Vancouver, Calgary, Medicine Hat, Moose Jaw, Brandon, Winnipeg and Port Arthur.

Gentlemen, we have before us today the delegation of the National Farmers' Union. You have already received a brief. Mr. Roy Atkinson, President of the National Farmers' Union, of Saskatchewan, Mr. J. N. McCrorie, Research Consultant from Regina, Mr. Hans Kieferle, Economic Advisor from Regina. The brief is quite a lengthy one—you have received it and have had it in your hands for some ten days or two weeks—some 45 pages long, and we do not have a summary available. Mr. Atkinson wishes to go through the brief completely, and perhaps it would be best to start off at the beginning and have him go through the brief. I don't think we can properly pick out any highlights, because it is such a comprehensive brief.

Mr. CARTER: Is there a spare copy, Mr. Chairman?

The CHAIRMAN: Yes. We are sitting today until one o'clock. If we have to go over we will have to obtain permission from the House to sit while the House is sitting, but I think if we start immediately and we cut the questioning down ten minutes each person in order to make the rotation, we can finish in time.

Mr. CANTELON: In that regard, I wonder if it would not at this point, be wise to do something definite in this respect. It seems to me that in the past we have had many briefs presented on which most of us would like to have commented and we were unable to do so, because it is in common practice to let the questioning go on for half an hour, or I understand perhaps 20 minutes lately. But this naturally confines the questioning to four or five people, and by the time they finish and have gone through the whole brief, nobody else really

should ask any questions because it has all been covered. I wonder if it would not be fairer to the people who have presented the brief, as well as to the Committee, if the question were confined to say ten minutes, and thus we would all get a chance and we might get a few different things that otherwise we would not get.

The CHAIRMAN: Would you like to move that, Mr. Cantelon.

Mr. CANTELON: I would like to move that not only would that be applicable to this particular submission, but that it be carried into effect on the trips that we are about to take, and that the questioning be confined to a limit of ten minutes.

The CHAIRMAN: I think it is most important on the trip because we have a number of letters that have been coming in very steadily as to representation that will be made at these localities. We will not have time to let everyone have 20 minutes to a half an hour to ask questions, otherwise we will never hear the briefs.

Mr. CANTELON: That is one of the reasons why I am making this motion.

The CHAIRMAN: It is moved by Mr. Cantelon that questioning commencing today be restricted to each member of ten minutes. That does not mean to say that it is only ten minutes for each person, but in rotation, ten minutes at each hearing and future hearings. As a seconder, Mr. Fawcett. Any discussion?

Mr. SHERMAN: The only complicating factor, Mr. Chairman, of course, is the length of the answers that we get to our questions.

The CHAIRMAN: Leave that with the Chair, and I will take that into account, Mr. Sherman.

Mr. REID: Mr. Sherman's point was my question.

The CHAIRMAN: I am sure with that qualification we can get along. All approved? Opposed, if any? Motion agreed to.

Mr. ROY ATKINSON (*President, National Farmers Union, Saskatchewan*): Mr. Chairman, and members of the Committee, first of all, I would like to point out a number of corrections that are required. On page 16, footnote no. 1 should be at the bottom of the second quotation, in the middle of the page. The footnote at the bottom should be page 155 instead of 148. On page 19, footnote No. 1 instead of "there is one question", it should read "there is one exception". On page 25, in the second paragraph, $\frac{1}{2}$ of the way down the page, "operating an ineffective" reservation system ineffective" instead of "effective". [*The above mentioned corrections have been made in the printed issue.*]

Mr. CANTELON: I am sorry I did not get that page number.

Mr. ATKINSON: Page 25.

Mr. CANTELON: Operating an ineffective—

Mr. ATKINSON: Yes, that changes the intent. We will be sharing in the reading of this presentation. Mr. McCrorie and Mr. Kieferle will be assisting.

National Farmers Union

Submission

to the

Standing Committee on Transport and Communications

on the subject of

Canadian Pacific Railway Passenger Service

April 28, 1966

Introduction

We welcome the opportunity of appearing before your committee and presenting our views on the question of the adequacy and efficiency of the CPR passenger train service. The National Farmers Union is a federation of the following provincial organizations: the Ontario Farmers Union, the Manitoba Farmers Union, the Saskatchewan Farmers Union, the Farmers' Union of Alberta, and the Farmers' Union of British Columbia. We represent some 60,000 Canadian farm families.

On March 23, 1965, we appeared before this Committee, presenting our views on Bill C-120 and National Transportation Policy. We regard the question of CPR passenger service as a special case of this general problem. Accordingly, we propose to (1) examine the case the CPR has laid before this Committee for the discontinuation of the "Dominion" passenger service, (2) explore and define the errors and inadequacies of that case, and (3) consider a number of proposals related to rail passenger service which we feel are in keeping with the best interests and future of the Canadian nation.

The Terms of Reference

The terms of reference before the Committee are as follows:

That the subject matter of the adequacy of the present program and future plans for passenger service on the lines of the Canadian Pacific Railway to meet the effective demand of the public for such service and the effects of such program and plans to be referred to the Standing Committee on Transport and Communications for their consideration and Report.¹

While it is our intention to confine our observations and argument to the question before the Committee, there are a number of comments we would like to make concerning the terms of reference.

First, the critical concept in the terms of reference is "effective demand". The scope of the Committee's inquiry is necessarily limited, and no provision has been made for discussing a wider, and in our opinion, a more important concept, namely, the concept of the "need" for service; a concept which includes, but goes beyond the notion of effective demand.

¹ *Minutes of Proceedings and Evidence*, No. 1, Feb. 17, 1966, (House of Commons: Standing Committee on Transport and Communications), p. 3.

Second, there is no provision in the terms of reference for an inquiry into the present program and future plans for passenger service on lines operated by Canadian National Railways. We suggest that a comparison of CN and CP programs and plans in this connection would be both revealing and instructive.

Third, there is no mention in the terms of reference of the problems encountered during the past year in the transportation by rail of western Canadian grain. This matter has caused as much concern in western Canada as the cancellation of the CPR passenger train known as the "Dominion". We submit that the provision of passenger and freight rail service is related, and cannot be adequately considered separately.

We submit that the terms of reference for this inquiry are narrow, and in terms of the questions raised above, inadequate. We accept the terms of reference, then, under protest.

Evidence and argument—The Case Presented by the CPR

The CPR case for the discontinuation of the Dominion, its present and future railway passenger service program and plans, are based, in the main, on two related considerations: "effective demand", and the efficient allocation of resources.

The Company defines effective demand in terms of prices or passenger revenue which will cover the costs of providing the passenger rail service in question¹. The CPR has indicated that it is prepared to provide such service when and where it can recover its costs from passenger revenue. In the absence of what the Company calls "effective" demand, the CPR has no intention of providing rail passenger service.

The discontinuation of the Dominion is a case in point. The Company claims that in 1965, passenger revenues from *all* passenger rail service provided amounted to \$40.3 million; variable cost (but not constant cost) was \$64.2 million, leaving the CPR with a passenger deficit of \$23.9 million for all passenger rail service provided in that year.²

These figures, however, refer to total passenger service. In giving evidence to this Committee, an officer of the Company attempted to *estimate* the revenue, variable cost, and deficit attributable to the Dominion. On page 80 of the Minutes of Proceedings and Evidence of this Committee, (Thursday, March 3, 1966), Mr. Sinclair, Vice-President of the CPR, *estimated* that the revenue from the Dominion was from 20 per cent to 25 per cent of the total passenger revenue for 1964³.

¹ "Presentation of Canadian Pacific". Minutes of Proceedings and Evidence, *op cit.*, March 3, 1966, Appendix A.

² *Ibid.*, p. 52.

³ In the CPR brief, use is made of 1965 figures. (See Table on p. 52, *Ibid.*) However, in attempting to *estimate* the deficit attributable to the Dominion, Mr. Sinclair uses 1964 figures. He said, and we quote: "We have to go back to 1964; that was the full year . . ." *Ibid.*, p. 80. No further explanation was given by the Company, nor asked for by Members of this Committee.

By the way, in the CPR brief, use is made of the 1965 figures. However, in attempting to estimate the deficit attributable to the Dominion, Mr. Sinclair uses 1964 figures. He said and we quote "We have to go back to 1964, that was the full year". No further explanation was given by the Company, nor asked for by Members of this Committee. Now to return to the argument.

The variable cost was from 25 per cent to 30 per cent of the total variable cost of passenger service in the same year. Using the appropriate figures provided by the Company in its brief, the *estimated* revenue from the Dominion in 1964 was between \$8.96 million and \$11.2 million; the variable cost was between \$17.7 million and \$21.2 million, creating an *estimated* deficit of between \$8.74 million and \$10.0 million.¹

We note in passing that if the \$8.74 million figure is taken as the estimated deficit for the Dominion in 1964, then the statement made by the officers of the company before this Committee would place the estimated deficit attributable to the Canadian at \$10.76 million, and if such is the case, then it is apparent that the C.P.R. has discontinued the wrong passenger train.

Again, returning to the argument.

To continue the example, the Company has taken the *estimated* deficit of between \$8.74 million and \$10.0 million incurred by the Dominion in 1964 to mean that there is no longer an effective demand for that particular passenger rail service.² For this reason, the Company applied to the Board of Transport Commissioners for leave to discontinue the service.

The absence of what the CPR calls effective demand, however, is not the only justification for the discontinuation of passenger rail service in general, and the Dominion in particular. The Company also argues that passenger revenue from a particular rail passenger service must alone pay the costs of operating and maintaining that particular service. Put another way, the Company rejects the suggestion that other rail services should be called upon to subsidize alleged losses incurred in the provision of a particular rail passenger service. To do so would result in what the Company defines as a mis-allocation of resources.³

There is an additional dimension to this point of view. The Company maintains that while rail passenger service is receding in North America, air transportation is growing to an unprecedented degree.⁴ The CPR is saying in effect that investment in so-called uneconomic passenger train service represents an improper allocation of resources when air line transportation is expanding and increasing. Put in other words, a greater return on investment can be realized in air line transportation than in railroad passenger transportation. For the CPR profit is the sole criterion by which one measures the proper

¹ These estimates are calculated, using figures found in Table on p. 52. *ibid.*

² We note in passing that if the \$8.74 million figure is taken as the estimated deficit for the Dominion in 1964, then statements made by officers of the Company before this committee would place the estimated deficit attributable to the "Canadian" at \$10.76 million. If such is the case, then it is apparent that the CPR has discontinued the wrong passenger train. See statements by Mr. Sinclair on pp. 115-116, *ibid.*

³ *Ibid.*, p. 17.

⁴ *Ibid.*, pp. 83-84.

allocation of resources. And as the Company so eloquently points out in its brief, what is good for the CPR is good for the people of Canada.

The Question of Effective Demand

Members of this committee have on numerous occasions referred to the CPR's definition of "effective demand" and invariably have been told that it refers to "the demand for a service at prices which meet the cost of providing that service."¹ This definition, in our opinion, is unacceptable and we would therefore like to offer a meaningful definition, namely:

Effective demand is a schedule of various quantities of a good or service that will be bought at different prices.²

In terms of economics, effective demand refers to both a willingness and ability to pay for a good or service. But there is no suggestion that this willingness and ability to pay must be equal to the price demanded by the supplier of the service. Prices in a competitive economy are after all the result of demand and supply. Now we realize that if the supplier is in a near monopolistic position, as is the case of the CPR, the company may well get so used to the idea of simply setting the price without any regard to the customer that it begins to believe that supply, demand and price are one and the same thing.

There is, further, the question of efficiency, or better yet, the question of whether the supplier will be able to offer his services at the lowest average cost. We know, both from theory and practice, that those who operate under monopolistic conditions cannot and will not fully realize internal economies by expanding output to the point of lowest average cost. There are many reasons for this and most of them point to institutional rigidities which prevent these firms from mixing the factors of production in an optimum fashion.

This short analysis takes the wind out of the CPR's contention that effective demand means the customer's willingness and ability to pay the price that the company sets and no questions asked, whether or not that price is, in fact, the lowest possible and/or the most competitive.

During the ensuing discussion we intend to demonstrate that the market imperfections alluded to above are the principal reasons why the railways in this country, faced by a sagging demand, have had to resort to some very ingenious and imaginative marketing and service differentiation practices in order to recapture lost passenger traffic. Moreover, we hope to show that if these new methods of marketing were pursued with genuine entrepreneurship, there is every reason to believe that railway passenger transportation is still a viable proposition. We shall further attempt to prove that the CPR was not prepared to assume its role in this undertaking, for reasons which we intend to discuss below.

¹ *Ibid.*, p. 44.

² See M. Inman, *Economics in a Canadian Setting*, (Toronto: Copp-Clark, 1964) page 356

Efficiency

The MacPherson Royal Commission on Transportation made the following observation about efficiency:

Should it be apparent that a firm providing services of transport is unable to live under a policy which seeks to attain maximum efficiency, we state that the consequences of technology or economics must not be set aside to preserve any historical or preconceived ideas about the proper composition of the transportation industry.¹

We heartily endorse this philosophy. Of course, the next logical step must surely be that constructive steps will have to be taken by the elected representatives of this country to ensure that the people of Canada, indeed any customer of a railway, will get his money's worth.

The CPR, in its submission to this committee, has repeatedly made reference to terms like "efficiency" and proper "allocation of resources". It has used these terms as though there was no question that the company was the living example of these desirable goals. Once again we would caution the members of this committee to beware of such *post hoc, ergo propter hoc* reasoning. While they are begging the question, we shall prove the opposite. For it follows that efficient firms which are able to reap the fruits of greater productivity in a competitive context should pass these gains of internal economies on to their customers in the form of lower prices or better services or both. There is no doubt that the CPR was most reluctant to introduce the fare reductions, just as every member of this Committee can attest to the fact that their services deteriorated to the point where they became an insult. We will presently focus our attention on a few illustrations of these charges. Suffice it to say that the crucial elements of our ensuing discussion centre around the following points:

- (a) The cost and pricing practices in rail passenger transportation and their effects on the travelling public; and
- (b) The new competition from alternative modes of transportation and the reaction by the railroads.

Costs and Prices

Upon superficial inspection, it would seem to make sense that the price of a good or service is determined by the cost of producing it. That is certainly the contention of the CPR. And in the "never-never land" of Adam Smith, where competition was perfect and the needs of society were "as though guided by an invisible hand," satisfied through the profitseeking actions of each entrepreneur, there was somehow an assurance that the market price was determined competitively and only those firms survived who were, in fact, efficient. In this model of economic analysis, costs were always kept to a minimum and profits kept at a reasonable level.

¹ Report of the Royal Commission on Transportation, Vol. II (Dec./61) p. 12.

But when we are forced to look at the realities of today, it is apparent that the large corporation decides to price its goods and services upon a very complicated system of cost accounting.

It is worth while to note that there are experts in the field of transportation economics who do not agree that under all circumstances the cost of providing a service does, or for that matter, should be the sole determinant of its price. But if it isn't the cost of production, what other factors are there? In examining this problem, we have found no more lucid explanation than that offered by Locklin who states:

The theory of railway rates involves three main propositions: the first is the motive to discriminate in the sense of charging less than cost, which is to be found in the large mass of constant expenses. If all expenses were variable, there would be no less than cost rates. The second proposition is that discriminating rates would not continue under real competition and therefore an element of monopoly is a further essential in the explanation of discriminating rates. The third proposition is that even under monopoly conditions and in the presence of overhead costs, discrimination could not be practiced if the demand prices for different transportation services were not independent of the price at which other transportation services are sold.¹

We find this exposition enlightening, especially when we are confronted with the maze of figures and statistical relationships which the CPR offers in its brief and other evidence. Notice that the author once and for all establishes that there is indeed a case for discriminatory rates; in fact, he maintains that:

...they (the discriminatory rates) are based on the demand for the service rather than the cost of the service.²

This conclusion is very important, for it settles once and for all the dispute which we have with the company's definition of "effective demand".

Put another way, we are arguing, in essence, that a railway company's pricing policy or rate structure can indeed be flexible in response to a sagging demand, despite the fact that its variable costs of handling additional customers will tend to increase. Moreover, this problem of insufficient patronage of passenger services can only be solved if the company is willing to reduce fares and increase the quality of service.

We need hardly point out that for a considerable period prior to the introduction of lower passenger fares, neither of Canada's two major railways seemed too concerned. When the problem finally became serious enough, both lowered their fares to recapture the lost traffic. We hope to demonstrate to this committee that while the publicly-owned system undertook to market the new approach in the most imaginative fashion, the CPR did nothing in terms of better quality service which accounts for the fact that though on the average the CNR carries only twice as many passengers as the CPR, the CN attracted almost ten times as many new passengers as did the CP between 1963 and 1964.³

¹ D. P. Locklin, *Economics of Transportation*, (Chicago: Irwin Inc. 1947 p. 147).

² *Ibid.*, page 148.

³ See the "Operating Statistics" in DBS Catalogue Nos. 52-291 and 52-202 (1965).

Statistical Comparisons

As mentioned above, the CPR's brief and evidence to this committee contains a maze of cost and revenue figures including a few boasts by the company to the effect that they were, and continue to be, the *avant-garde* of new accounting and data processing techniques. We are not equipped to comment on these claims. But we are familiar with certain rules of statistical methods and know that the company makes some comparisons and allusions which are quite meaningless. For example, the CPR claims that,

The effective fare which is measured by the revenue per passenger mile on the basis of actual passenger revenues received by the company in 1965 was only 2.73 cents, compared with 2.72 cents in 1949. In contrast, the Consumer Price Index, as published by DBS increased by 39 per cent from 1949 to 1965.¹

The purpose of this sort of comparison is of course to imply that though everything else had gone up, the CPR's prices had not. In other words, the CPR was unable to meet the cost squeeze. We in the Farm Union movement recognize this kind of argument, for it is the most pressing problem in agriculture today. Nothing has ever been done about it. Least of all has it ever been challenged. But when the CPR resorts to this argument, we would like to separate fact from fancy.

Firstly, it is quite illegitimate to quote only passenger revenues in comparison with the Consumer Price Index. Let the CPR produce its other revenues, item by item, to show that they haven't been able to keep up with rising costs.

Secondly, any comparison between a cost index and a revenue statistic smacks of gainsaying. The officers of the company know this as well as we do. We suggest therefore that these tactics are nothing but a deliberate attempt to confuse and mislead members of this committee.

Finally, we would like to draw your attention to the kind of revenue statistic that the CPR chose to illustrate their point. To balance the company's one-sided comparison we have drawn up a table of comparative indices. We would like to emphasize that the only legitimate comparison in that table is between the Consumer Price Index and the Index of Prices of Agricultural Products, as we got them from DBS. We have up-dated the latter to make it comparable to the former, taking 1949 as the new base year.

Mr. KIEFERLE: In the above table, may I interject first. May I focus your attention to the note. Index A is the average per passenger train mile revenue of the respective railways and Index B is the average revenue per passenger mile of the respective company.

Mr. CANTELON: May I interject here. It would be essential, I think, that we have this table in the minutes at this point and I hope the witness realizes that he would have to ask that this be included in the evidence given at this point.

The CHAIRMAN: I think we can move that Table I be printed as an appendix to our Minutes of Proceedings and Evidence of today. Is there a motion to that effect?

¹ Minutes of Proceedings and Evidence, op. cit. p. 54.

Mr. REID: Mr. Chairman, could you extend that to make it that all tables be included in this very interesting brief.

The CHAIRMAN: They follow as the brief is being presented. Perhaps it is best that we do it individually, so right now Table I. Could I have a motion that Table I be printed as an appendix.

Mr. CANTELON: I do not think this is quite right, Mr. Chairman. I think this table should be inserted in the minutes at the point at which it is now found in this brief.

Mr. CARTER: I move that it be taken as read, Mr. Chairman.

The CHAIRMAN: Well, we are both saying the same thing Mr. Cantelon.

Mr. CANTELON: Well I do not think so. It does not sound like it.

Mr. DEACHMAN: Do we understand that the whole brief as being read, Tables and all, be included in the minutes. I think this is what everybody wants.

The CHAIRMAN: It is being read verbatim now, but there is no sense in printing the whole brief again, that would be twice. Table I will be taken as read and printed in the minutes of Proceedings and Evidence.

Mr. CANTELON: That is what we want.

The CHAIRMAN: Moved by Mr. Cantelon, seconded by Mr. Reid. Carried.

Table I
Comparative Indices

	CPR		CNR		Agric. Index	Consumer Price
	Index A	Index B	Index A	Index B		Index
1949	100.0	100.0	100.0	100.0	100.0	100.0
1954	111.1	103.5	118.5	109.3	92.7	116.2
1955	117.5	103.4	124.9	110.3	91.1	116.4
1956	131.0	106.2	135.2	112.2	91.8	118.1
1957	141.5	106.2	141.0	115.0	91.6	121.6
1958	139.8	113.2	136.2	120.0	96.1	125.1
1959	151.6	109.8	144.0	116.1	96.8	126.5
1960	168.0	111.2	148.0	116.5	97.8	128.0
1961	171.7	115.3	151.0	118.8	102.2	129.2
1962	172.8	113.5	169.3	120.8	106.4	130.7
1963	164.1	109.4	169.8	122.3	101.4	133.0
1964	179.6	89.7	177.2	118.0	104.4	135.2

SOURCE: DBS: Catalogue Nos. 52-201 & 52-202 (1965)

DBS: Canada Year Book 1957-1965

NOTE: Index A is the "average per passenger train mile revenue" of the respective railways. Index B is the "average revenue per passenger mile" of the respective companies. In both cases the year 1949 = 100.0

In the above table, it is important to note that the "per passenger-train mile revenue", (index A) for both railways steadily increases over the years. The other index, "per passenger mile revenue", (index B), which is the one quoted by the CPR does not show the same characteristic. But why this apparent contradiction?

Upon close inspection of Index A, one realizes that such marked improvements are due to what is commonly called "internal economies". This means that there were certain improvements made which are attributable to the size of the firm and productivity of the factors of production. Obviously, there was a reduction of the number of passenger trains put together, while the number of passengers did not decline as fast. This is often referred to as an improvement of the load factor. In this regard, notice that the CPR was in a much better position to realize such internal economies, which is in our opinion, due to their concentrated efforts to discontinue passenger train services.

Another way of looking at Index A is to say that (especially in the last two years) the number of passengers carried increased without an equally proportional increase in the number of passenger trains required to handle the new load. This observation is of course substantiated by the figures published by DBS. It is a very important conclusion, for it explains at once the nature of Index B. The "average per passenger mile revenue" declines because the additional cost associated with carrying more passengers does *not* increase at the same rate. To put it into economic terms, though variable costs increase, the rate of increase is not as high as the rate at which new passenger revenues are gained.

If these observations are correct, and we depend on official data for their accuracy, they lead to a very important question: Is the elasticity of demand for rail passenger services sufficient to warrant fare reductions? But, what do we mean by that? Roughly speaking, elasticity of demand is simply a measure of the customer's reaction to a change in the price of a good or service. Or, from the point of view of the supplier, the demand for his services will appear to him relatively elastic if, in response to price reductions are so many new customers attracted as to increase his total revenues. But if the price reductions will attract only a few additional customers, and if, as a result of that, total revenues actually decline, the supplier is said to be facing a relatively inelastic demand.

In the light of this discussion, and the figures available, it is quite obvious that there is an elastic portion of the demand for rail passenger services. The CN as well as the CP had an increase in passenger revenues after reducing fares in 1963. The CPR claims that in 1965 there was a decline in revenues over the preceding year, but the company does not show how many passengers it carried.

Moreover, both railways showed a decline in the passenger services deficit. It is worth while to note that in 1964 compared to the previous year, the CN was able to increase the number of revenue passengers carried by 14 per cent while its passenger services revenue increased by 16.7 per cent.¹ In the same period, the CP increased the number of passengers carried by 3.7 per cent while its revenues increased by 0.67 per cent². We need hardly remind this Committee

¹ See *Annual Report* (Canadian National Railway 1964) p. 9.

² See *Minutes of Proceedings and Evidence*, *op. cit.* p. 52.

that the reasons for this kind of inability on the part of the CPR to hold its share of the market is due to a continued deterioration of the quality of services offered by the CPR.

The Alleged Burden of Passenger Transportation

The numerous arguments by the CPR to convince this Committee and the public that it is not in the best interest of Canada to continue a service for which there is no "effective demand" do not impress us at all. Their allegation that it would result in misallocation of resources is of course entirely without foundation, since we have just demonstrated that there is indeed a potential demand for such services if only the CPR were willing to get into the market and develop it. But their unwillingness is, of course, due to the fact that the company engage in many activities, the marginal returns of which are much more handsome than those of providing a real service. And when someone reminds these gentlemen that the CPR received a number of grants and gifts from this country in return for a service, we are told that it has no bearing on the problem. This doesn't surprise us at all for who would want to be constantly reminded of the embarrassing fact that one's wealth and good fortune is due to the goodwill of someone else, especially if that someone else keeps insisting that at least part of the give-away was actually in return for a promise to perform certain services. Today, these services won't yield as high a return as some of the other activities of the CPR which is the sole reason the company wants to discontinue them.

The Allocation of Resources

May we remind this committee that so far we have examined the case of the CPR within the confines of sound economic and business principles. We intend to continue for a while within these limits in our subsequent discussion.

The CPR claims that it attempted to recover lost passenger traffic by its Faresaver Plan, but that the results were discouraging since the fares were in fact too low to even recover variable costs. Though in its brief the Company illustrated that *its passenger deficit was actually declining*, it made sure not to emphasize the point. Instead, the company claims that:

It is clear that a service which is bearing no portion of the constant cost of the railway operation is a burden on the users of other railway services, or on the railway itself.¹

Once again, we have consulted some of the experts on this point and have found that this argument is sheer nonsense. Locklin claims that:

There is an implication that low rates on some traffic must necessarily result in higher rates on other traffic. The favoured consumer is considered parasitic on other consumers. Of course, it is true that if some traffic is charged less than average cost, some must be charged more than average cost. But the implication that the low rates on some traffic means that other traffic must be charged more than it otherwise would have

¹ Locklin, *op. cit.* page 155.

been is entirely erroneous. If the distinction between constant and variable cost has been fully grasped, it will be apparent that the preferential rates relieve rather than increase the burden on other traffic, so long as the low rate traffic will not move at higher rates.

Needless to say, the CPR would of course simply dismiss Locklin's conclusion, while boasting about their unique accounting techniques and computers. Whatever one's position in this dispute, we think it is rather curious that the officers of the Company, while making liberal references to phrases coined by economists, almost invariably disagree with the experts when it comes to an important analytical conclusion. Nor does that surprise us, for it is in keeping with the particular statistical tactics which the CPR has resorted to. Nonetheless, we would like to emphasize what we think to be the real crux of this dispute. It simply revolves around the point of whether it is appropriate for a railway company to lower prices for certain services in order to stimulate more effective demand; and if by doing so the lower fares for one service constitutes a burden on other traffic.

Firstly, the expert claims, and we have demonstrated that if the demand for the service in question is elastic, such is a sound economic proposition. It is a known fact that the CPR reduced fares only upon considerable pressures from outside. When its arm was finally twisted, it set out to deliberately sabotage the great experiment, by refusing to provide the service in a half decent fashion. But why was there such an attitude among the managers of the company? One can only speculate on that. What seems certain is the fact that the Company had long ago decided to pull out of the transportation business. We challenge the CPR to prove otherwise.

Secondly, most transportation economists maintain that lower fares on some traffic does *not* constitute a burden on other traffic or the company. Once again, the CPR disagrees. Nonetheless, this is an important point, for should this committee ever receive any evidence which shows that lower fares on passenger services are in the process of reducing an existing passenger revenue deficit, and are thus well on the way toward meeting variable cost of providing the services, we hope that such evidence will be carefully assessed. To us, it is an indication of a genuine effort to deal with a chronic problem. But above all, we submit that such evidence is sufficient proof that any investment in this service will meet the test of productivity as set out by the Economic Council of Canada. We will return to the question of investments presently.

The CPR's Failure to Merchandise its Services Properly

Of course, the crux of this matter, (i.e., the Faresaver Plan) rests upon the phrase "imaginative marketing". To us, this means a genuine effort to get out in the market and develop effective demand, to solicit the business not only by advertising in newspapers and on television and radio, but chiefly by offering the new service at a substantially increased quality. Though it has been established that lowering fares does help to recapture lost passenger traffic, it isn't going to do any good if lower fares are accompanied by appallingly inferior services, such as no comfort, poor reservation facilities, annoying delays due to

poor connections, etc. We shall deal with each one of these points separately. Suffice it to say that the lower fares did attract more customers on both systems, but the CPR deliberately reduced the quality of services which explains the figures in the following table:

Table II
Revenue Passengers Carried (1000)

Year	No.	CN % Change	No.	CP % Change	CP's Share of Total
1960	13,308		7,059		34.6%
1961	12,105	-9.0	6,275	-11.1	34.1%
1962	12,444	2.8	6,440	2.6	34.1%
1963	13,599	9.3	6,749	4.8	33.1%
1964	15,501	14.0	6,997	3.7	31.1%

Source: DBS Catalogue Nos. 52-201 and 52-202 (1965).

We think the information contained in Table II is most revealing. In view of the fact that the general passenger fare reductions came about in 1963, the following observation might be worthwhile emphasizing: Both railroads, for the first time since the Second World War, managed to increase the number of passengers carried.¹

Mr. KIEFERLE: And may we remind you that there is one exception. After the inauguration of the Canadian in 1954-55 the CPR for two years managed to increase the number of passengers carried but the trend was quickly reversed in 1956.

But the CN which usually carries only twice as many passengers as the CP attracted almost ten times as many additional passengers. Moreover, the CP's share of the total market continued to decline from 34.6 per cent in 1960 to 31.1 per cent in 1964.

Refusal to Give Faresaver Plan a Chance to Succeed

But it isn't just that the CPR downgraded the quality of passenger services; the company also refused to give its Faresaver Plan a half decent chance to succeed. Many members of this committee are businessmen themselves and this goes for every member in our organization. As such, we have had plenty of experience with one of the cardinal prerequisites of sound business management, namely, if there is a new approach to an old problem, one has got to give it a genuine chance to prove itself. We need hardly point out that the CPR lacked such acumen. Note that the company testified that the

¹ There is one exception. After the inauguration of the "Canadian" in 1954-1955, the CP, for two years, managed to increase the number of passengers carried, but the trend was quickly reversed in 1956.

passenger train deficit in 1965 compared to 1964 had actually declined by \$2.10 million,¹ but despite this development the company claims that:

The company has had sufficient experience with its Faresaver Plan to conclude that lower fares are not the solution to the rail passenger problem. These lower fares have succeeded in diverting traffic from other media that could handle it profitably, thus undermining the financial stability of both forms of transportation.²

We were genuinely moved to hear the representatives of the CPR express such concern for other businesses. Unless we're very much mistaken, this must be the first time in their history that the CPR has cared for someone other than themselves. We only express the hope that some day a similar attitude will be extended towards the farmers of this country—indeed, to all Canadians.

However, to suggest, as these gentlemen did, that upon little more than two years' trial, a new marketing idea is the wrong approach, and especially when the latest figures of that program show a real improvement, is, in our opinion, a most contemptuous and irresponsible attitude. We would ask the members of this committee to reflect for a moment and imagine what would happen to one of this country's most important economic sectors, namely agriculture, if, whenever there are a few lean years, scores of farmers would simply pull out of the business. But this is precisely what the CPR is proposing to do. If this is the kind of private entrepreneurship with which the transportation problem of this nation is being plagued, one finds it hardly surprising that so many Canadians favor nationalization of that company.

The Downgrading of Passenger Service

The CPR has taken a strong stand on the question of downgrading passenger service. The Company brief reads in part:

Suggestions have been made that the Company has deliberately downgraded its passenger trains with a view to discouraging passengers from using them and subsequently eliminating the service. This is entirely without foundation.³

Evidence presented to this Committee by officers of the CPR, however, does not support this emphatic conclusion. First, it is clear that for the past five years, the Company curtailed the type of accommodation available on the Dominion during the non-summer months. The President of the CPR said in part:

In 1960 there were certain changes—The winter consist of the Dominion was substantially reduced—The number of cars and type of accommodation provided by the train were curtailed, specifically through sleeping car services between Montreal and Vancouver, which were no longer provided.⁴

¹ Minutes of Proceedings and Evidence, *op. cit.*, p. 52.

² *Ibid.*, p. 53.

³ *Ibid.*, p. 55.

⁴ *Ibid.*, p. 48.

Second, the Company admitted to the practice of assigning old passenger equipment to the Dominion consist. Mr. Sinclair said in part:

The people on the Dominion say we pay the same fare, this low Faresaver, as you are giving the people on the Canadian and yet we have to take what is older and they call antiquated equipment. There is no question about it; some of the equipment is old—¹

Third, it is painfully apparent that the CPR does not have an effective reservations system. Members of this Committee were quick to draw this problem to the attention of the Company, and if there is any doubt on this point, we refer you to the questions put to the officers of the Company by Mr. Olson.²

Fourth, the CPR made it clear that the Company had drastically curtailed their investment in passenger equipment. In giving evidence to the Committee, officers of the Company provided the following information. Between 1954 and 1956, the CPR claimed to invest some \$60 million in passenger rail equipment.³ Approximately \$40 million was invested in stainless steel cars which came to make up the "Canadian" consist. An estimated 50 diesel locomotives with high speed gearing and equipped with steam generators were purchased for passenger service. During this same period, an estimated 54 Rail Diesel Cars were purchased to replace old passenger equipment on secondary main and branch lines.

During the intervening years, the Company has converted old passenger cars to work cars, or has scrapped same. They have continued to convert passenger diesel locomotives to freight service by changing the gearing system. At present, the CPR claims to have 28 passenger diesel locomotives in service. Finally, they have assigned stainless steel and usable Tuscan Red equipment to their remaining transcontinental and inter-city runs.⁴

To summarize, the CPR has operated a transcontinental passenger train without sleeping car equipment for a large portion of the year; it has assigned old and antiquated equipment to that train; it has failed to provide potential passengers with an effective reservation system; and it has failed to invest in new and better passenger equipment for future use.

Taken together, these factors most certainly contribute to the deliberate downgrading of passenger train service. The CPR, however, rejects this rather obvious conclusion. The Company's explanation of the four points we have raised involves a number of considerations, and we propose to examine them separately.

The Company maintains that it was *compelled* to use old passenger equipment on the Dominion, because, in the words of Mr. Sinclair:

...there is no rail passenger equipment; no conventional rail passenger equipment, being made in North America, and there has not been any for quite a number of years. I would say certainly none has been made in the 60's.⁵

¹ *Ibid.*, p. 84.

² *Ibid.*, pp. 193-195; pp. 88-90.

³ *Ibid.*, p. 15.

⁴ *Ibid.*, p. 26.

⁵ *Ibid.*, p. 84.

This explanation cannot be taken seriously. The National Farmers Union, the officers of the CPR, and the members of this Committee know very well that the Canadian National Railway has improved its passenger equipment. We refer you to a paragraph in the CN's 1964 Annual Report which reads:

There were noteworthy equipment renovations and acquisitions during the year. Included were the purchase and renovation of the equipment for the "Champlain", renovation of club and coach lounges for the "Super-continental" and the "Panorama", conversion of nine passenger cars into 48-chair dining cars, and the acquisition of six SCENERAMIC cars for service in the Rocky Mountains and six SKYVIEW bedroom-lounge cars for the "Ocean Limited" and "Scotian".¹

The explanation offered by the Company for the inadequacy of its reservations system is nothing more or less than a lesson in double talk. On the one hand, Mr. Sinclair argues, and we quote:

I don't know if you really realize the distinction...between our system and an airline reservation system which can be made instantaneously, and the disabilities and the reasons why you cannot do that with passenger... For instance, in the case of an airline, a seat is a seat. They have an economy rate, and they have a first class rate. They may have 12 or 16 first class and the balance is economy. That is all they sell. On a railway they have coaches, uppers, lowers, compartments, bedrooms, drawing rooms and, in addition to this, they have it fragmented. You can ride from Medicine Hat to Winnipeg, Medicine Hat to Brandon, or Medicine Hat to Regina, and you are fragmenting all the way across. Airlines do not fragment in that way. This, therefore, makes the reservation problem an extremely complex one.²

One would gather from Mr. Sinclair's observation that improving a reservation system for rail passenger service is a most difficult, if not impossible task. On the other hand, Mr. Crump presents an entirely different picture. He says, and we quote:

I happened to be in the I.B.M. plant at Poughkeepsie not too long ago when a computer was being timed out for probably the largest American domestic airline. With the volume they have and with the almost two hundred people to serve, that is quite a different matter. But, we are fully aware of the research that is being done in Canada and in the United States, and it is our desire to UPDATE THIS TO THE BEST OF OUR ABILITY (emphasis added.)³

Mr. SHERMAN: Presumably there he is talking about 200 million people to serve, is that right?

Mr. McCORIE: Almost two hundred people to serve. Unless we have an error in typing up the draft, I think that was what was in the record. We can check this for you, if you like. We will make a note of it perhaps and come back

¹ *Annual Report*, (Canadian National Railways, 1964), p. 10.

² *Minutes of Proceedings and Evidence*, *op. cit.*, pp. 88-89.

³ *Ibid.*, p. 90.

to it. Yes, I think it is 200 million. According to Mr. Crump, then, it is possible to improve the reservation system and the Company is desirous of doing so to the best of its ability.

These statements by two officers of the CPR deserve further comment. An elementary acquaintance with computer processes reveals that the alleged difficulties in programming a reservation system for rail passenger service simply do not exist. It is possible to program for multiple space; it is possible to program for what Mr. Sinclair calls "fragmentation". Indeed, both Air Canada and CPA are doing so today.

But why belabor the obvious? A more proper question is why the CPR has not updated and improved their reservation system. Is it because the officers and managers of the Company are incompetent and inept? The numerous statements made by CPR officials before this Committee tempt one to reply in the affirmative. This conclusion, however, would be both invalid and unfortunate. The heart of the matter is not incompetence and ineptitude. It is rather the deliberate attempt on the part of the CPR to downgrade its passenger service and to mislead the public in the process. Their success to date in this regard is a testimony to both managerial competence and public gullibility.

There is one final explanation the CPR offers for curtailing equipment on the Dominion, assigning old equipment to the Dominion's consist, operating an ineffective reservation system, and curtailing investment in new passenger train equipment. This is the question of effective demand.

The Company repeatedly maintained that it had no intention of improving its passenger train service in the absence of what they called effective demand. Put in other words, the decline and/or absence of effective demand was the cause and/or reason why sleeping cars and new equipment were dropped from the Dominion's consist; why the reservation system was not improved; and why there were no concrete investment plans for new and improved passenger train equipment.

But is this really the case? We submit that it is not. The relationship between patronage of a service, and the merchandizing of same is complex. If the *potential* demand for a service does not exist, then merchandizing will be to no avail. Nor will investment in new and improved equipment alter the situation. But if there is a potential demand for a service, then the equation between patronage and merchandizing changes.

The CNR has demonstrated that such is the case. Through expanding the scope of their passenger rail service, investing in and improving passenger equipment, the CN has experienced a significant increase in passenger patronage and has been able, as a result, to dramatically reduce its operating deficit. The CN's aggressive policy of attracting revenue passengers through its fare-saver plan, along with the changes and investment in its passenger train equipment, have resulted in a significant increase in passenger train patronage. In comparison, the CPR passenger program is revealed for what it is, namely, a fraud.

It is clear that the patronage of passenger train service for both the CN and CP has been declining for some time. However, the CNR's passenger train program shows unmistakable signs of reversing this trend, while the CPR's

passenger train program shows unmistakable signs of contributing to this trend. Put another way, the decision on the part of the CPR to curtail the consist on the Dominion; to assign old equipment to a transcontinental train; to continue to operate an inefficient and inadequate reservation system; to curtail investment in new and improved passenger train equipment, has brought about the kind of result one might expect—a continued decline in patronage.

The CHAIRMAN: Gentleman, if I may interrupt the proceedings of this hearing at the present time to bring to the attention of the Committee that we have with us in the room today, a visit to this Committee hearing by the Officer Cadet group from the Royal Military College of Canada as part of a planned field trip. To the officers and to the Officer Cadets we say, welcome to the Proceedings of the Transport and Communications Committee. We are very happy you are able to take some time out during your tour to visit us.

This Committee is composed of 25 members of all parties in the House of Commons, and, at the present time, we are hearing a brief of the National Farmers' Union dealing with reference to the Canadian Pacific Railway passenger service. Our terms of reference on this matter are as follows:

That the subject matter of the adequacy of the present program and future plans for passenger service on the lines of the Canadian Pacific Railway to meet the effective demand of the public for such service, and the effect of such program and service be referred to the Standing Committee on Transport and Communications for their consideration and report.

This Committee commenced its hearing on this term of reference on February the 17th of this year, and it continues its hearings. Right after this it will leave for the Western investigation to hold public hearings in the cities of Vancouver, Calgary, Medicine Hat, Moose Jaw, Brandon, Winnipeg and Port Arthur.

To the Officer Cadets and to the Officers, we appreciate your coming to this hearing. We hope that you will enjoy your trip to Ottawa and to the work of the Committee and to the tour of the Parliament Buildings, and we hope sometime you will be able to come back again. Thank you very much. You are welcome to remain as long as your agenda permits it.

Mr. Montgomery, the former Clerk Assistant, is the tour guide, I would gather on this, and so we say to Mr. Montgomery, we appreciate his taking the time to take the Officer Cadets to this particular Committee hearing. Thank you.

Mr. McCORIE: Continuing my reading of the Brief:

The History and Function of the CPR

The consolidated Railway Act of 1879, the Act Respecting the Canadian Pacific Railway of 1881, the Crowsnest Pass Agreement of 1897, the Railway Act of 1903, and the Transport Act of 1938, make it abundantly clear that railway transportation in general and the CPR in particular, have been and continue to remain instruments of national policy in the development and maintenance of a Canadian economy and nation.

The CPR has never been, nor is it now, an end in itself. It has been and continues to remain a *means* to an end. The Company, of course, has rejected this statement, maintaining that the contractual obligations of the 1880 agreement require them only to provide transportation service where there is an effective demand for same. In support of this contention, they have cited the closing sentence in Section 7 of the Act of 1881 which reads:

And the Company shall thereafter and forever efficiently maintain, work, and run the Canadian Pacific Railway.

We submit in reply that there is nothing whatsoever in the words and wording contained in the citation above, nor is there any section or sub-section of the Act of 1881 which deals with the question of "effective demand", as repeatedly defined by the Company.

More to the point is the preamble to the Act of 1881 which reads:

Whereas by the terms and conditions of the admission of British Columbia into Union with the Dominion of Canada, the Government of the Dominion has assumed the obligation of causing a railway to be constructed, connecting the seaboard of British Columbia with the railway system of Canada.

And, of course, the preamble goes on.

The preamble makes it abundantly clear that the purpose of the Agreement of 1890 between the Government and the CPR syndicate was *political* in nature, not economic. The *objective* of national policy was the political union of British Columbia and the Dominion of Canada. Professors Britnell and Fowke have observed:

The concept of a British North America domain to encompass northern North America from coast to coast was essentially defensive. It was a defensive nationalism marshalled to secure the frontiers against the surge of expansive American Nationalism. More accurately, indeed, it might be designated counter-imperialism, an effort by the St. Lawrence colonies to establish effective empire over the western territories in order to forestall indentical action by the neighbors to the south. It was obvious by the middle of the nineteenth century that the empty spaces of the British fur trader in North America would not long continue empty. They would become effectively occupied and developed and the only question was, what would be the economic and political affiliations of the occupiers?¹

And equally important, the construction of a transcontinental railway system was a *means* to achieving this political objective. The agreement of 1880 between the CPR Syndicate and the Dominion Government and the subsequent Act of 1881 clearly defined the CPR as an *instrument* of national policy. The Company's desperate and ridiculous claims to the contrary cannot and do not invalidate this historical fact.

¹ G. E. Britnell & V. C. Fowke, *Canadian Agriculture in War and Peace*, (Stanford: Stanford University Press, 1962), p. 21.

Related to the political objectives of the National Policy were economic considerations. The tariff policy of 1879 cannot be separated from the decision to construct a transcontinental railway system. The tariff, among other considerations, was designed to redirect the natural north-south flow of traffic east and west. The consequence of this political decision has been most adequately described by Fowke.

It would be incorrect to assume—that the prairie provinces would be without adequate railway facilities had the Canadian transcontinentals and their feeder systems not been built. One of the chief concerns of the early railway policy of the Dominion government was the exclusion of American railways from Canadian territory to the west of the Great Lakes. The management of the Northern Pacific and Great Northern Railways stubbornly persisted from the 1860s till the end of the century—Their aim was to draw the whole western Canadian region into their commercial and general economic orbit. The national policy of tariffs and railways was successful in preventing this absorption. As far as the western provinces are concerned, therefore, Canadian railways are expensive alternatives to American railways rather than no railways at all.¹

It is clear, then, that the construction of a transcontinental railway system, along with the tariff policy of 1879, was designed to develop a national industrial economy. In terms of this policy, the CPR was regarded as a means to an end, not an end in itself. Indeed, the CPR owes its very existence, among other things, to the deliberate and total disregard of the market mechanism; a mechanism, we hasten to add, which would have directed the flow of traffic north and south rather than east and west.

Yet the officers of the CPR would have us believe that the Company is like any other corporate business institution in our economy and should therefore be judged on criteria appropriate to business institutions in a changing capitalist society.²

If there are any questions on this point by members of this Committee, we would like to deal with them later rather than take the time now.

This claim by the Company not only disregards the historical circumstances surrounding its origins; it flagrantly ignores the circumstances surrounding its operation in the field of transportation and communication. For example, how does the CPR decide where and when to operate a branch line service? How does it go about setting passenger rates and freight tariffs? How does the Company decide to close a railway station, or construct a new line, or change a signal box at a railway crossing, or operate a new passenger train? Certainly not in the manner typical of most business institutions in our society. To

¹ V. C. Fowke, *The National Policy and the Wheat Economy*, (Toronto: University of Toronto Press, 1957), pp. 68-69.

² In this connection, we refer members to a statement made before the Saskatchewan Provincial Conference of Railway Retention Committees by Mr. S. M. Gossage, Vice-President and General Manager, Prairie Region, Canadian Pacific Railway, and cited in our submission to this Committee during your hearings in March, 1965, on Bill C-120.

belabor the obvious, the operations of the CPR railway and communication systems have been, are now, and continue to be subject to far-reaching and specific regulation and control as provided for in the Crowsnest Pass Agreement of 1897 (and the amendments of 1922), the Railway Act of 1903, and the Transport Act of 1938.¹ The CPR has been, and is, in effect, a public utility.

It is painfully clear, however, that the CPR is neither willing nor able to operate its railway system in a manner appropriate to a public utility. Nor has the Company fulfilled its obligations under the agreement with the Dominion of Canada of 1880. The Company has argued, and we quote:

—that the passenger train service program followed by the Company has been in the best interests of the people of Canada and in faithful accord with the Company's obligation under its contract of 1880—²

At best, this statement and claim by the officers of the Company is a joke in poor taste. The passenger train program followed by the CPR may well be in the best interests of the Company. But, if we may be permitted an understatement, the best interests of the Company and the people of Canada are not necessarily identical in every instance, and the evidence and argument we have presented in this submission clearly suggest that the passenger train program of the C.P.R. has been neither in the best interests of the nation, nor in faithful accord with the Company's obligations under the contract of 1880.

The refusal on the part of the C.P.R. to provide adequate passenger train service, the deliberate violation of the 1880 agreement, and the consequent injury to the public interest which results from the same is compounded by the fact that the public has invested a considerable amount of public monies and lands in the Company. We do not propose to deal at this time with the subsidies which the C.P.R. has received from the public purse over the years. We have already commented on this question in our submission to this Committee on Bill C-120. We choose rather to re-examine the Contract of 1880 and the Crowsnest Pass Agreement of 1897.

It is interesting to note in this connection that Mr. Sinclair has suggested that the Syndicate headed by Mr. George Stephen, President of the Bank of Montreal, came to the rescue of the Dominion Government in agreeing to construct and operate a transcontinental railway system. We would like to carefully examine some of the conditions attending this act of "generosity" on the part of Mr. Stephen and his friends.

The contract between the C.P.R. Syndicate and the Government of Canada was signed in 1880 and assented to in February 15, 1881.³ Section 2 of the Schedule required the C.P.R. to deposit \$1,000,000 with the Government as security for the construction of the railroad contracted for. The Government agreed to pay interest on the cash deposited at the rate of 4 per cent per annum, and to return the cash deposit plus interest to the Company upon the successful

¹ We would point out that the regulations in regard to passenger fares do not prohibit the Company from lowering rates in order to attract patronage. They rather set a rate beyond which the Company cannot charge.

² Minutes of Proceedings and Evidence, *op. cit.*, p. 56.

³ Statutes of Canada, 44 Victoria, Chap. I.

completion of the contract. Section 5 of the Schedule required the Company to purchase at cost, 100 miles of railroad constructed by the Government west of Winnipeg.

The Government did not charge them interest.

But the main undertaking imposed upon the Company was the construction and operation of a line linking Central Canada with British Columbia. In return for this undertaking, the Government made the following provisions in the Company's favor:

- (1) A cash grant in aid of construction of \$25,000,000 (Sec. 9);
- (2) A land grant in aid of construction of 25,000,000 acres (Sec. 9);
- (3) A grant of lands required for: road bed, stations, station grounds, workshops, dock ground, water frontage, yards, buidlings and other appurtenances—required for the convenient and effectual *construction and operation* of the railway, insofar as such land belonged to the federal government. (Sec. 10);
- (4) A similar grant of lands as per (3) above for the construction and operation of branch lines (Sec. 14);
- (5) The admission, free of duty, of: steel rails, fish plates and fastenings, spikes, bolts and nuts, wire, timber and all materials for constructing bridges to be used in the original construction of the railway (Sec. 10)¹

We might add here that Section 10 of the Schedule also made provisions for the admission, duty free, of material needed in the construction of the first telegraph line in connection with the railroad.

- (6) Exemption from taxation by the Dominion Government, or any province or municipal corporation established after 1881 of the following:

The Canadian Pacific Railway² stations, station grounds and yards, property, rolling stock and equipment required and used for the construction and working of the railway capital stock of the Company, lands granted by the Government under the agreement up to 20 years, or before, if they are sold or occupied. (Sec. 16)

- (7) The monopoly clause. (Sec. 15).

Which we will refer to in a moment.

- (8) The transfer of railway line constructed by the Government (Sec. 10).

A number of comments by way of explanation are, perhaps, in order. First, the question of land grants. Section 11 of the contract provided that the 5,000,000 acres would be assigned to the Company on the basis of odd numbered sections of land extending back 24 miles on each side of the rail line

¹Section 10 of the Schedule also makes provision for the admission, duty free, of material needed in the construction of the first telegraph line in connection with the railroad.

²Section 1 of the Schedule defines the words "Canadian Pacific Railway", as meaning the entire railway, as described in the Act 37 Victoria, Chap. 14.

between Winnipeg and Jasper House. It was realized, however, that land acquired by the C.P.R. on this basis would not complete the 25 million acre grant. Accordingly, the contract provided that the balance would be made up from land located in the fertile belt (between the 49th and 57th degrees of north latitude), or from land adjacent to branch lines constructed by the Company.

The policy of making land grants to railway companies had been borrowed from the American experience. However, in drawing up the Contract of 1880, the Government and the C.P.R. Syndicate agreed to an important departure. A provision was written into section 11 of the contract which stated that "... should any of such sections consist in a material degree of land not fairly fit for settlement, the Company shall not be obliged to receive them as part of such grant."

This provision is of considerable importance in considering the land grants made to the CPR by the Government. When reference is made to public assistance given the Company in the construction of the transcontinental, mention is usually made of the quantity of land granted. It is necessary, in light of the "fit for settlement" clause, to speak of the *quality* as well as the quantity of the grant. The CPR was given the right to reject land that they considered unfit for settlement; put another way, the Company was given a virtual carte blanche in selecting what they considered to be the choice land in the North West Territories.

In satisfaction of the land grant, the CPR received the following tracts of land from the Dominion Government:¹

1) Main Line Belt ²	5,255,870 acres
2) First Northern Reserve ³	6,620,000 "
3) Southern Reserve ⁴	2,244,130 "
4) Lake Dauphin Lands ⁵	400,000 "
5) Second Northern Reserve ⁶	386,000 "

These grants totalled 14,906,000 acres, leaving an unsettled balance of 10,094,000 acres at the end of 1896. However, the Company had surrendered 6,793,012 acres to the Government in 1891 in payment of \$9,880,912 (With interest outstanding on a loan for construction from the Government of \$29,880,912. The balance of land due the Company then was 3,300,986 acres. Much of the acreage was taken from the area between Calgary and Medicine Hat, where the Company later developed one of the largest irrigation projects in the country.

¹ Taken from: J. B. Hedges, *The Federal Railway Land Subsidy Policy of Canada*, Cambridge: Harvard University Press, 1934), Chap. II, p. 63.

² The reference is to land extending 24 miles on each side of the main line.

³ The reference, in the main, is to an area of land between the 52nd and 54th degrees latitude, and between the 110th and 116th degrees of longitude, set aside by Order in Council of October 24, 1882.

⁴ The reference is to territory south of the main line in the present province of Manitoba set aside by Orders in Council of November 3, 1882, and January 25, 1883.

⁵ Reserved by Order in Council of February 18, 1895.

⁶ Reserved by Order in Council of December 18, 1896, and situated east and northeast the city of Edmonton.

⁷ Hedges, *op. cit.*, p. 65.

The transfer of land under the contract was completed with an Order in Council, August 22, 1903.

Mr. ROCK: Mr. Chairman, while he is reading this into the record, I notice there are many references regarding the source of this information that are not read into the record. All we have so far done is to table the two Tables, and yet I think these references relating to where the information comes from are very important and that they should also be tabled as read or something similar.

The CHAIRMAN: The only way we could do this is if we had the brief printed in whole as an appendix to the Minutes of Proceedings and Evidence.

Mr. ORLIKOW: Why should not the brief, as it is, be put in the record with the interjections which have been made? I do not see any point to printing what has been read and then printing the Brief as a whole.

Mr. CANTELON: There is only one more point to be taken, and that is these notes at the bottom. I see no reason why these notes could not be added, if we gave permission to do so. Could they not, Mr. Chairman?

The CHAIRMAN: I see no reason why they could not, Mr. Cantelon.

Mr. CANTELON: Mr. Rock has been asking the same point, so if Mr. Rock cares to move that these notes be appended to the brief as read, I would be pleased to second it.

The CHAIRMAN: Moved by Mr. Rock, seconded by Mr. Cantelon. All in favour that the referral notes in the brief be added to the brief as it is read and taken as read. All in favour?

Motion agreed to.

The CHAIRMAN: This should not cause too much problem to the reporters to put that in, fine.

Mr. McCORIE: Continuing with the Brief:

Second, we would like briefly to comment on Section 10 of the contract which exempts construction materials required for the building of the railroad from import duties. Mention has already been made of the tariff program associated with the National Policy. We have stated, and we repeat, that the tariff policy guaranteed the usage of the transcontinental railroad system, redirecting east and west, traffic and revenue from same which would otherwise have flowed north and south.

It will be recalled that the protective policy of the federal government was enacted in 1879, one year before the contract between the Government and the CPR Syndicate was drawn up and signed, and two years before it was ratified by Parliament. The terms of that contract were such, however, that the C.P.R. was exempted from tariff provisions insofar as construction material was concerned. This exemption represents treatment of a most special kind. Moreover, it can be seen that the CPR came to have the best of two possible worlds. On the one hand, the exemption of construction materials from import duties lowered the potential cost of constructing the railroad; on the other hand, the tariff policy provided the Company, along with other railroad companies built later, with a captive market.

Third, a comment on the monopoly clause. Section 15 of the contract provided the following:

For twenty years from the date hereof, no line of railway shall be authorized by the Dominion Parliament to be constructed south of the Canadian Pacific Railway, from any point at or near the Canadian Pacific Railway, except such line as shall run South West or to the Westward of South West; nor to within fifteen miles of Latitude 49. And in the establishment of any new province in the North West Territories, provision shall be made for continuing such prohibition after such establishment until the expiration of the same period.

It is not surprising that shippers in Manitoba had mixed feelings about the monopoly clause. The claim was soon put forward that CPR rates were not competitive with American, and that the monopoly clause was detrimental to the best interests of shippers. In response to pressure, the Manitoba Government granted charters to three companies to construct railway links south to join up with the American transcontinentals.¹ The Federal Government disallowed the charters on the ground that they violated the CPR Act of 1881.

The decision of the Government only served to intensify the struggle to abolish the CPR's monopoly clause. The Government responded by harboring second thoughts on the political wisdom of retaining the offending clause. In the meantime, the CPR was in urgent need of additional capital. In a letter written to Macdonald on November 11, 1887, George Stephen claimed: "\$15,000,000 will be required within the year 1888. ...If the capital cannot be secured the company must collapse and go into bankruptcy..."² It was apparent, then, that the monopoly clause had become a political liability to the Government. The CPR was in desperate need of Capital. Accordingly, an agreement was made on April 18, 1888, between the Company and the Government, whereby the former agreed to the cancellation of the monopoly clause, and the latter agreed to guarantee the payment of interest on an issue of bonds by the Company up to \$15,000,000.³

The fourth comment we choose to make goes beyond the actual agreement of 1880. Section 20 of the CPR's terms of incorporation (appended to the Act of 1881) provided that Parliament was prohibited from reducing the rates charged by the CPR beyond an amount which would realize a profit of no less than 10 per cent per annum on the capital of the Company expended in the construction of the railway.

Many felt that the cancellation of the monopoly clause in 1888 would result in the lowering of freight rates charged by the CPR. A Railway Rates Commission was appointed on November 15, 1894, to investigate complaints. In its report on May 7, 1895, the position taken by the CPR was largely supported. Complaints regarding freight rates, however, continued to grow.

¹ G. P. deT. Glazebrook, *A History of Transportation in Canada*, (Toronto: McClelland and Stewart, 1964) Vol. 11, Chap. IX.

² Cited in *ibid.*, p. 115.

³ H. A. Innis, *A History of the Canadian Pacific Railway*, Toronto: McClelland and Stewart (1923), Chap. V, P. 182.

Demands were made upon the Federal Government to intervene in the situation and bring about effective regulation of freight rates.¹

In the meantime, the CPR was laying plans to capture the traffic growing out of the mining industries in the Kootenays². In September of 1897, the Company and the Dominion Government concluded a contract, which, when ratified by Parliament, authorized the Government to subsidize construction of a line to be built by the Company from Lethbridge through the Crowsnest Pass into Nelson, British Columbia.³ The subsidy was set at \$11,000 per mile of railway built, the total amount not to exceed \$3,630,000. In addition, the Government of British Columbia agreed to grant 250,000 acres of land in that province to the Company upon completion of the line. Of this amount, the Company agreed to convey 50,000 acres of coal bearing land to the Dominion Government. In return for the construction subsidy, the CPR agreed to a reduction in freight rates on certain classes of commodities of goods moving east and west on the Company main line, west of the Lakehead. These became known as the Crowsnest Pass rates.

It is customary to consider the Crowsnest Pass Agreement in terms of the reduction in freight rates, which now, of course, only exist for flour and grain. There are, however, two additional considerations which are of equal importance. First, the construction of the Crowsnest Pass railway brought about the economic integration of southeast British Columbia with the Dominion of Canada. Without the railway, there is no question that the mineral resources and wealth of the Kootenays would have gravitated to the American economic orbit.⁴

Second, the Agreement made it possible for the CPR to conquer the economic potential of southeastern British Columbia. According to Fowke:

The Crow's Nest Pass Agreement extended public assistance toward the building of a railway line which gave to the Canadian Pacific Railway Company for the taking the mineral-metallurgical empire of south-eastern British Columbia. The Company has long governed and exploited this empire through the agency of its subsidiary, the Consolidated Mining and Smelting Company, in which the Canadian Pacific owns about fifty-one per cent of the capital common stock.⁵

The foregoing discussion and analysis suggest what we consider to be a number of important conclusions. First, the construction of a transcontinental railway system was undertaken to satisfy political objectives; those objectives being the creation and maintenance of a viable economic and political nation. In his connection, the CPR became an instrument of national policy; a means to other ends.

¹ Ibid., pp. 182-184.

² See Glazebrook, *op. cit.*, Chap. IX.

³ Innis, *op. cit.*, Chap. V: see also, "An Historical Analysis of the Crow's Nest Pass Agreement and Grain Rates", *A Submission of the Province of Saskatchewan to the Royal Commission on Transportation 1960; Report of the Royal Commission on Transportation*, 1951, Chap. X.

⁴ See "An Historical Analysis of the Crow's Nest Pass Agreement and Grain Rates", *A Submission of the Province of Saskatchewan to the Royal Commission on Transportation*, 1960, Regina: Queen's Printer, 1961) Chap. X.

⁵ Ibid, Chap. XI, p. 36.

Second, public regulation of Canadian railway systems, including the CPR make it clear that railways in Canada have been, in effect, public utilities.

Third, the construction of the CPR mainline, along with a number of important branch lines including the Crowsnest Pass railway, were made possible through public outlays of cash and land, as well as important public concession to the Company. Our brief analysis of the 1880 Contract reveals the tremendous scope of the public investment and undertaking in this connection.

Fourth, the income earned by and the prosperity of the CPR over the years is, in part, directly attributable to the public assistance given the Company in aid of construction, not to mention the many subsidies the Company has earned since the turn of the twentieth century.

Conclusions

A number of important conclusions follow from the evidence and argument we have presented in this submission.

(1) The CPR's concept and definition of "effective" demand is totally unacceptable. It can and should be dismissed on a number of grounds. *First*, effective demand refers to a *willingness and ability* to pay for a good or service. It is not an exclusive function of the *price demanded by the supplier of that good or service*. *Second*, prices, in a competitive economy, are the result of supply and demand. And in this connection, we have shown that discriminatory rates are based on the *demand* for service, not the cost of providing that service. *Third*, we have shown that patronage of rail passenger service increases when there is a reduction in fares *and* an improvement in quality of service. *Fourth*, preferential or discriminatory rates *relieve*, rather than increase the burden on other traffic providing low rate traffic will not move at higher rates. It is apparent, then that rail passenger service in Canada is a viable economic proposition.

This, however, is not the critical consideration in our opinion. We would point out, as we have on a number of occasions in the recent past, that the criterion for rail passenger service, or any transportation service for that matter should and must be the social and economic need for same. This concept of "demand" is consistent with historical development of transportation in Canada and remains as valid today as it has been in the past. We do not, and have never taken the stand that rail service should be provided for the sake of providing same. To the contrary, we believe it is in the public interest to abandon or discontinue service for which there is no social and economic need. The point is the basis for providing transportation services should and must be the social and economic needs of the consumer and/or the community. The cost of providing such service, and the mode of transportation most suitable to this end is an important but secondary consideration.

(2) The CPR has deliberately downgraded its passenger train service. Claims by the CPR to the contrary are invalidated by the Company's own evidence and statements made before this Committee. It is a fact that the CPR did not properly merchandise its passenger train service; it is a fact that the Company was reluctant to introduce a faresaver plan, and when it did so provided a plan which does not compare favorably with that of the CNR; it

a fact that the Company did not give its faresaver plan, for what it is worth, a fair and adequate trial; it is a fact that the Company did not provide sleeping car accommodation on the Dominion during the winter months for the past five years; it is a fact that the Company has operated an inadequate reservation system; and it is a fact that the Company has failed to invest in new passenger train equipment for future use. It is interesting and revealing to compare the CPR attitude and record regarding passenger train service with that of the CNR. The CN reports, and we quote:

Current CN passenger policy calls for a strong effort to increase passenger sales and provide good, competitively priced passenger service in areas where actual or potential returns justify the effort. For CN extensive market research and study of relevant social, economic and technological trends and developments point strongly towards the conclusion that, in most of the areas now being served, *a properly designed and operated passenger service can be made to justify itself on economic grounds*. In this respect, the experience of 1964 has been quite encouraging.¹

(3) The CPR, by refusing to provide adequate and efficient passenger train service, has violated the terms of the 1880 Contract with the Dominion Government. The violation of the Contract is, we submit, a serious offence. The injury to the public is compounded in view of the tremendous investment the public has made in the construction and development of the CPR system.

The violation of the 1880 Contract, the refusal to provide efficient and adequate passenger rail service, the deliberate downgrading of passenger train service, and the CPR's attitude towards marketing and rail passenger service in general are not difficult to understand.

The Company has approached and continues to regard transportation in general and passenger rail service in particular with one end in view—namely, profits. A statement made by an officer of the Company before this Committee is instructive.

—the company DOES operate overall in a PROFITABLE position. I am now speaking of the railway operation. Therefore, necessarily its passenger losses are MORE THAN OFFSET by its freight profits. However, the total profits picture of the railway is a very modest one, 3.2 per cent on its investment, and it is substantially below even the very modest level of permissive earnings established by the Board of Transport Commissioners.²

It is clear that the Company could afford to operate the Dominion, to cite an example. The point is, the CPR has chosen to discontinue the Dominion for the simple reason that the Company is not realizing a *sufficient* profit on its overall operation. Why, the Company argues, should the CPR be required to invest in one kind of transportation service when it can realize a *greater* return in other areas?

¹ *Annual Report, (Canadian National Railways, 1964), p. 15 (Emphasis added).*

² *Minutes of Proceedings and Evidence, op. cit., March 8, 1966, p. 249. (Emphasis added).*

The answer is apparent, and can be found in the history and function of the Company. The CPR was not a conventional business undertaking. The construction of a transcontinental railway system, with branch lines necessary for its proper functioning, was made possible by heavy and risky public investment. Moreover, the public interest has continued to demand the provision of transportation services which otherwise would not be provided by a private company. The provision of that service in a manner appropriate to the public interest has been made possible in many, but not all instances, through public regulation of the railroad industry. Put in other words, the CPR owes its very existence to the public commitment undertaken in the Contract of 1859. The public, in turn, has been forced to regulate the operation of the Company's transportation system in order to ensure adequate and efficient transportation service from the CPR.

(4) It is clear, however, that public regulation of the CPR system has not been totally effective. We invite Members of this Committee to consider that the shocking performance of the CPR, and this case before you and the public at large, has occurred within the regulatory framework established by Parliament over the years. This failure is not so much due to incompetent management or the regulations themselves, as it is the result of the certain inherent features of private enterprise which are obviously incompatible with the transportation objectives and needs of this country. It is generally recognized that there are a number of economic functions in Canada which can only be adequately discharged by a publicly owned company. The profit motive is not designed to serve the needs of the nation under all circumstances, and railway transportation in Canada is one such service in which private enterprise has miserably failed.

This conclusion is an important one, and is illustrated by the attitude of the CPR towards future passenger train programming. The Company has said that it is only prepared to provide passenger train service when and where it can realize a profit from same. But what of those instances in which the public interest requires a passenger train service which has no promise of returning a profit?

The CPR has, in effect, offered the Canadian public two alternatives: subsidize the Company for the provision of the particular service, or turn it over to the CNR. In either case, the taxpayer is left to foot the bill.

But under what conditions? Does the CPR suggest that the profits from its so-called uneconomic services be applied against the alleged loss attributable to the passenger service in question? The answer is no. To the contrary, the very Company which has violated its contractual agreement of 1880 and deliberately downgraded its passenger service, would have the public taxed so that the CPR might enjoy a profit on each and every service it provides. And to add insult to injury, the Company suggests that such a practice would be in the public interest.

We reply that this proposition is nothing more or less than a public swindle. Moreover, we can come to no other conclusion than the one that any Government in Canada which agrees to the CPR's proposition is, along with the Company, conspiring against the public interest, and no longer deserves the trust and confidence of the nation.

Recommendations

On the basis of these conclusions, we submit the following recommendations for your consideration:

- (1) The Canadian Pacific Railway Company should be nationalized immediately, and its railroad and communications systems integrated with those of the Canadian National Railway;
- (2) Public grants in aid of construction and the subsidies the public has paid the CPR over the years should be assessed against the asking price for the railroad and communications system;
- (3) No further public subsidies should be paid to the CPR.

In considering these recommendations, we remind members of this Committee that the CPR has violated the terms of the 1880 Contract, and has shown no hesitation whatsoever in taking unfair and unjustifiable advantage of a tolerant and generous public. We believe the time has come to accord the CPR the treatment and consideration which the Company's performance and attitude entitles them to.

All of which is respectfully submitted by
THE NATIONAL FARMERS UNION.

● (11:10 a.m.)

The CHAIRMAN: Thank you, Mr. Atkinson, Mr. McCrorie and Mr. Kieferle. Members of the Committee, I do not know if you want to break here for a few minutes before questioning starts. The meeting has been in progress for about an hour and 50 minutes, almost two hours. It might be wise to give the delegates from the National Farmers' Union a little chance to catch their breath, but we only are sitting until 1.00 P.M. If you think the questioning will take longer perhaps then we could have a motion to sit this afternoon while the House is sitting for a couple of hours, if you feel that will be required. I would like to hear some comments on it. None?

Mr. FAWCETT: Mr. Chairman, to my way of thinking this is the best brief that has been presented here yet and I am not so concerned about the questions, but it is quite possible that the representatives of the Farmers' Union might want to go into a little detail to explain their viewpoint on various things. I was just wondering if we should not give them as much time as possible.

The CHAIRMAN: I think it might be right to take a 15 minute break at this time.

Mr. CANTELON: I would like to object because on previous occasions I have been the first one to suggest this, but the last time we had it we took half an hour. I think this is unjustifiable. If we went by the clock and started again at half past eleven I would be agreeable. I am quite opposed to this idea of running away and not coming back for half an hour.

The CHAIRMAN: I do not want to see that either. If we go by the clock here, I should say that we commence at twenty to twelve.

Mr. CARTER: Mr. Chairman, I would like to give notice that I have been here since 9.30 a.m. I must leave at 12.20 p.m. In order to make sure we have a quorum, probably somebody should round up some other members.

The CHAIRMAN: Yes, there were some other Committees sitting this morning, External Affairs, Broadcasting and Industry. I saw our co-ordinator here, who is a member of this Committee and I will tell him privately. We will adjourn until twenty-five to twelve at the latest, gentlemen, just to give everyone a break.

The CHAIRMAN: I see a quorum. We will start with Mr. Deachman.

Mr. DEACHMAN: I will let Mr. Cantelon go ahead at this point. I will take my turn later.

The CHAIRMAN: This is the matter we discussed?

Mr. DEACHMAN: Yes, this is the matter we discussed.

The CHAIRMAN: All right, fine. Mr. Cantelon.

Mr. CANTELON: I want to say that I agree with Mr. Fawcett that this is an extremely fine brief. I rather regret, though, that the Farmers' Union has seen fit to introduce so much sarcasm into it, because there was quite a bit in it, and I am sure that the CPR will clobber you now, on that fact alone. However, sarcasm or not, it is still a very good brief.

There are a few things I would like to ask about it. On page 6 for instance, you talk about the "institutional rigidities". Now this is something that concerns me. I think there are other rigidities in the Company besides institutional rigidities. I wonder if you would care to discuss a little more fully what you mean by "institutional rigidities"?

Mr. KIEFERLE: Would you repeat your last question, please?

Mr. CANTELON: I wonder if you would care to discuss just what you mean on page 6 by "institutional rigidities which prevent these firms from mixing the factors of production in an optimum fashion". I have some ideas of my own, and I just wondered if we agreed or if you had some different ideas from what I had.

Mr. KIEFERLE: Mr. Cantelon, institutional rigidities are common to many large corporations. One example would be the fact that, in managing a large corporation, those who make the decisions are not necessarily directly associated with the effects of that position.

For example, if management decides to build or not to build a given station, or to repair or not to repair a certain stretch of the railroad or bed or something, or to buy or not to buy a certain kind of computer, this decision is perhaps made by the top managers of the company, though they themselves do not utilize or make use of this kind of equipment and, therefore, are not necessarily best equipped to make such decision.

Mr. CANTELON: I am not too sure that my idea was institutional, because what I had in mind was what I consider the lack of the development on technological lines in the trains themselves.

For instance, I really consider it quite unnecessary to have 5 or 6 different types of accommodation on one train. I cannot see any reason for it actually at

all, except perhaps to cater to the so-called elite, but the so-called elite is not travelling on the trains any more. I do see any reason for all that type of accommodation on the train any more.

And secondly, I do not see any reason for such rigidity in the 'make-up' of the train, either. Of course, there is very little baggage or express going on these trains any more and I do not think they should be on them any more, if the train is to travel at a rate which is going to make it acceptable to the public. These are some of the things that I have in mind, but perhaps they are not institutional rigidities. They evidently are not what you had in mind.

Mr. KIEFERLE: No, they are not exactly.

Mr. CANTELON: Yours are more in the internal operation of the Company, I gather.

Mr. KIEFERLE: Which prevents the Company from operating at the lowest average cost, and we have made that point. This is a very important consideration here.

Mr. CANTELON: I had one or two other questions, and I had one on marginal return, but I think I will pass that one up. On page 16 you quote from Locklin, and I wondered if you could elaborate on this a bit? I will quote just the first and the last of what he says:

There is an implication that low rates on some traffic must necessarily result in higher rates on other traffic.

And then at the end,

it will be apparent that the preferential rates relieve rather than increase the burden on other traffic, so long as the low rate traffic will not move at higher rates.

Now, I find this difficult to comprehend and I wonder if you would care to elaborate on that?

Mr. KIEFERLE: Yes, Mr. Cantelon, Perhaps I will be permitted to continue a little more of this quotation from Locklin. The name of the book is *Economics and Transportation* by D. Phillip Locklin, Ph.D. and it was published in 1947. He goes on to say, in this same line:

These are that the rates must more than cover the direct costs, and that the traffic will not move at high rates. When these conditions are fulfilled, preferential rates are of benefit to all concerned.

As will be pointed out in a later chapter, however:

less than cost rates that diverts traffic from one form of transportation to another, may result in economic waste without sometimes being consistent.

Now, the only point that he is trying to make here is that if you were to attempt to price your services—all kinds of traffic that moves on rail—according to the principle of total average costs, then the price say, of passenger services,

would be much higher and there would be no justification to lower them in order to attract more additional customers. However, since in railroad practices, it is commonly agreed that one can only price certain kinds of traffic, namely passenger service traffic, according to the average variable costs, not to the fixed costs, but only to the average variable costs, then the price of that service will naturally be lower.

But you must find an economic justification for this and we do, in our brief, point out the economic justification of it if, in fact, the monopoly position and the result of lowering of your fares will attract new additional passengers to your rail service, which will increase your total revenue or perhaps decrease your passenger service deficit, and therefore make it a viable proposition.

Mr. CANTELON: There is, however, some justification, then for the CPR to feel that, while this may recover variable costs, it does nothing to the fixed costs and hence it does, in effect, lower the percentage of profit that they make on the total business. Am I wrong in that contention?

Mr. KIEFERLE: Mr. Cantelon, I believe you are. If you recover variable costs by this attempt of discriminatory rates then, obviously, you are increasing your total revenue so, therefore, you are decreasing your passenger rail deficit.

Mr. CANTELON: You may be increasing your total revenue but are you increasing your percentage of profit?

Mr. KIEFERLE: You are certainly diminishing the possibility of a huge deficit, are you not?

Mr. CANTELON: Thank you. I think I have taken my ten minutes, Mr. Chairman, and I pass.

The CHAIRMAN: Yes, that is correct.

Mr. SHERMAN: Mr. Atkinson, one point that troubles me with respect to your brief which I also commend and on which I compliment you, is a question that comes up in the section on recommendations. Your third recommendation is that

No further public subsidies should be paid to the CPR.

I am wondering what the purpose of this recommendation is (on page 45 of your brief) in the context of the three recommendations made. It seems to me that if the your primary recommendation that

The Canadian Pacific Railway Company should be nationalized immediately.

were implemented then No. 3 becomes redundant and unnecessary, does it not?

Mr. ATKINSON: What we are saying here is in the interim or until the nationalization takes place.

Mr. SHERMAN: But there would be no interim.

Mr. ATKINSON: Yes, you are correct in that.

Mr. SHERMAN: If the CPR were nationalized immediately there would be no interim?

Mr. ATKINSON: You are correct in that assumption.

Mr. SHERMAN: So, therefore, if it should be determined that recommendation No. 1 is not practical or possible, then recommendation No. 2 would not apply, and you would then suggest that recommendation No. 3 be implemented, is that correct?

Mr. ATKINSON: Would you repeat that question again?

Mr. SHERMAN: If it should be determined that recommendation No. 1 is not practicable, that is for reasons which we will not go into here, and the CPR cannot or is not going to be nationalized at this time, then recommendation No. 2 is negated. There would be no practical means of invoking it, and we would then come down to your third alternative, recommendation No. 3. In that case then, you would say, well at very least, we wish to request that no further public subsidies be paid to the CPR.

Mr. McCORIE: If I may, Mr. Chairman, No. 3 as we intended, is simply a provision for that period of time between now and when the CPR is nationalized. For example, it would take this Committee, I would imagine, a number of weeks to prepare and submit its report to the House of Commons and no doubt the Government will want to consider the report of this Committee quite thoroughly. That, in turn, will take time.

We concede to the possibility of the CPR asking for subsidies in this interim period before the Government has had a reasonable opportunity to study the matter carefully and come to some kind of a decision. We are simply saying that in that interim period, no subsidies should be paid.

I could just maybe put it another way. If the Committee, in its opinion, feels that it is not proper or in the public interest to nationalize the C.P.R., then we respectfully submit that our other two recommendations are irrelevant. Indeed everything we have said here today, is irrelevant.

Mr. SHERMAN: I see. I was confused by the order in which they came, that is all. Perhaps No. 3 should have been No. 1.

Mr. ATKINSON: We, of course, place the priorities in the other way, because we feel that these are the priorities that this Committee should examine.

Mr. SHERMAN: If it were possible to re-establish the "Dominion" passenger service, agree to restore it in its former capacity and to its former degree of public service, would you be willing to modify your stand with respect to nationalization of the CPR?

Mr. ATKINSON: On the question of the "Dominion" and its restoration to its former standard, first of all, we think the former standard was below par and there would be no point in just considering restoring it to its former standard, because it was not providing the service.

On the question that you asked, would we be prepared to accept the restoration of the "Dominion"? We think that because of the very nature of the Canadian Pacific Railway, you have to look at its historical development, its function within the Canadian economy, and the needs of that economy, that it is of great necessity that the two systems be integrated in order to provide the

Canadian consumer with the services they need. Again, because of the nature of the business, we see no other way of doing this than to nationalize it.

Mr. SHERMAN: In other words, you do not concede that the element of competition between the two railway lines, as it existed up to a certain point in the mid-1950s, was advantageous and beneficial for the Canadian public?

Mr. ATKINSON: We would have to say that this question of competition is largely one of one's imagination. That really, in the total picture, the competition is not too keen in that each one serves a particular region.

Mr. SHERMAN: Thank you very much, those are all the questions I have.

Mr. ATKINSON: I may also point out on this question, if you move from say, just passenger service to airlines and bus lines and truck lines, we find that a great deal of the traffic today is owned by one or the other rail systems and, in this sense, there is a possibility of their dominating the trucking and the airlines, etc.

Mr. SHERMAN: This is an aspect that, I think, those of us on the Committee want to go into at some length when the CPR management people appear before us again. It is something that I do not feel I should get into at this point with you. I commend you, once again, sir, on an excellent brief. Thank you.

Mr. SOUTHAM: Mr. Chairman, I would like to associate myself with other members of the Committee who have already commented on the fact that the National Farmers' Union have presented a very comprehensive brief. I think they have placed their argument very effectively before us.

I would like to ask, Mr. Atkinson, a question. Have you people had access to the service of any cost accounting experts in arriving the conclusions in your brief?

Mr. ATKINSON: No, we have not had access to cost accounting experts. We have used the advice of economists in developing our programme as presented.

Mr. SOUTHAM: I do not want to be repetitive on this line but I think that this is one of the basic points of the whole argument. In all the testimony that we have heard, even going back to the MacPherson Royal Commission, there is quite a question in the minds of a lot of people regarding whether the economic arguments used by the CPR in arriving at certain conclusions, is a fact or not. As I say, this evidence came out in the MacPherson Royal Commission investigation to start with. We had a lengthy discussion at previous proceedings of this Committee. The CPR witnesses put particular emphasis on regression analysis as their particular cost accounting technique. I made it a point of inquiring from several, I think, very capable mathematicians, in the meantime, about this and they insist that this particular technique can be used to arrive at any certain conclusion that you may want to arrive at. In other words, if you predesignate a conclusion you can use this type of cost accounting to achieve this result.

Mr. ATKINSON: You are saying the criteria upon which the decision is made, is made on an assumption?

Mr. SOUTHAM: That is right.

Mr. CANTELON: They say that figures do not lie, but liars can figure.

Mr. SOUTHAM: This is something that I think bears investigating because, as I say, I have had this statement made to me by a responsible mathematician, who clearly understands this term "regression analysis" which was bandied about. To the ordinary layman maybe it is not too well understood, but this was the information that I received. I would just like you to let me ask you this question: have you had access to independent cost accounting experts because part of the basic argument, here—

Mr. ATKINSON: The answer, of course, is that we have not had access to cost accounting experts but we have had access to people in economics who do understand and know something about it. I would ask Mr. McCrorie to deal with this.

Mr. MCCRORIE: Mr. Chairman, I think Mr. Southam has raised a very critical point here. I think if members of this Committee feel somewhat confused on this question of regression analysis, cost accounting techniques, and so on, I can assure you social scientists do too.

I do not know the proper way of getting at what we think is the basic point here. Let me say that when we talk of cost accounting technique or regression analysis or any other kind of statistical procedure which is employed to describe and analyse a body of material, we are talking about techniques—tools. Tools to describe, tools to analyze.

There are a number of observations I think one should and can make about tools of analysis. What you describe is always in part but not in whole. A function of the tool you use.

To use an analogy, if you are attempting to convey to someone in eastern Canada the beauties of southeastern Saskatchewan, there are a number of tools you can use to do this. You can, for example, present one of your colleagues in the East with a painting of a prairie scene and the parkland down, say, around Estevan. What the observer will see, what he will get in terms of a description of southeastern Saskatchewan, will not the real thing, will it? It will be a representation of it and, if it is a good painting, it might be a fairly accurate representation or description of the area in question. If you send them a photograph that is blurred, or if you use a poor camera to take pictures, you will get poor results.

By the same token if you use poor procedures in an attempt to describe materials, such as the cost of operating a railroad, you will get poor results. I think the other question that has to be considered here is that these procedures suggest relationships but it is the observer who must draw causal inferences from them.

For example, and this, by the way, raises some real problems—we know the birth rate in the United States has been declining over the last ten years. We also know that the death rate among storks in Iran has been increasing. Now, if you will apply a statistical procedure, you will get a significant correlation between these two, but I think most of us will agree that the death of storks in Iran, probably in all likelihood has very little to do with the declining birth rate in the United States. You see, it is what we call experienced correlation. I think maybe at this point perhaps, Mr. Kieferle, who is an economist, might comment further on this question. I think I have made the basic point.

Mr. SOUTHAM: I think if I may interject here, Mr. Chairman, I think the portrayal here is something along the same argument that I got from this mathematician, and I think I appreciate the point that you are trying to make. But, getting back to the economics of this problem, we have a free enterprise system like the CPR. In the light of changing transportation systems, I am thinking now of rail versus the air, it came out in testimony in previous hearings, that the cost ratio for transporting a person over a given distance, by air, was about on the basis of 4 to 1 which is more economical, compared to transporting by rail. So in a free enterprise system you can understand where, left to find its own level, that the CPR would want to justify—

Mr. ATKINSON: You are making an assumption here that the CPR is indeed operating in a free enterprise environment, and we think that the evidence is to the contrary.

Mr. SOUTHAM: I am just using their argument in what they assume is a free enterprise system. They have made this statement.

Mr. ATKINSON: For these reasons, they operate under probably what is the most comprehensive set of acts, rules and regulations that any service industry operates in in Canada. This is one factor that indicates that they are not operating in an area of pure competition.

Mr. SOUTHAM: It comes back to the fact that I think before this Committee can actually settle, in its own mind, the pros and cons of this economic argument by the CPR, whether this transportation by rail is an economic and viable service, and so on, I think we are going to have to get some independent cost accounting check of some of these figures. I have made these comments before and I would like to reiterate them again here, Mr. Chairman. I think that concludes my comments for the moment.

Mr. McCORIE: May I just comment on Mr. Southam's last point, Mr. Chairman. I think it would be a good idea to obtain the services of a cost accountant. But, without prejudicing what he might say, in the last analysis it is the overall operation that must be measured and judged.

Any time you talk of breaking down an overall operation into its component parts, you always have to make assumptions. Let us assume, for example, that it costs x-number of cents to carry one banana one rail mile. Make that assumption, you can plug it into an IBM computer and out come the results. "But", you say, "I do not agree with you that it costs x-cents to move one banana one rail mile". Who is right? You can bring in all the experts you want—I am speaking now for my colleagues—but we cannot agree on this. The only thing we can properly agree on is that which I think is the most important consideration, namely the over-all situation. In terms of the overall situation, there is no question whatsoever.

The CPR has been enjoying over these years, a most enviable income from its operations. You mentioned that the CPR was what you called "a free enterprise institution". I think as Mr. Atkinson said, and just to enforce the observations he made, the CPR never has been and is not now free. It is subject, as Mr. Atkinson said, to extensive parliamentary regulation.

Second, in terms of that regulation, and this, I think, is the tragedy of this experiment in Canadian history, it has not been enterprising in terms of railroad service. Why? Because it has discovered over the years that it pays more to be enterprising in other areas. Now this is fine for the CPR, but the CPR was never set up for itself; it was set up for other reasons. We submit that those reasons still apply today as they did in 1880.

Mr. SOUTHAM: I agree with this, Mr. Chairman, but my comment was that the C.P.R. take the other attitude in presenting their brief. I agree with you, I do not agree with them on this particular instance.

The CHAIRMAN: I have Mr. Tolmie, followed by Mr. Fawcett, followed by Mr. Rock, followed by Mr. Pascoe, at the moment. Mr. Tolmie.

Mr. TOLMIE: Mr. Chairman, I also would like to congratulate the Farmers' Union with regard to this brief. I think it is an excellent brief and very lucid. I was particularly impressed with the arguments pertaining to the original contract and the historical significance behind the contract. I think it is the first time that it has been clearly explained. This is, of course, one viewpoint. In other words, you have put forth very cogently the argument that the CPR has a national obligation and has an obligation to provide passenger service, regardless of cost.

Based on those submissions, I feel that this is perhaps the crux of the whole problem again. I said this before, that we discuss costs, we discuss whether the Dominion should be retained, that it is losing money, but the basic argument is whether the CPR has any obligation to provide passenger service if it is not making money. You have concluded, in your brief here, that the CPR has violated its contract. My question is this; do you feel that the Government can more or less unilaterally declare the contract violated without having some type of judicial hearing, when both sides could present their arguments and briefs?

Mr. ATKINSON: We feel, on the basis of the evidence that we have gathered, that the question of whether or not the CPR has violated its contract is no longer a question, but that, indeed, it has. With respect to whether or not this question should be submitted to a court for argument or to some other kind of inquiry on this matter, we feel that this question has been answered. Therefore the supreme authority, if you will, in Canada, is the Parliament of this country, which you represent as parliamentarians and, that rather than submit this to legal argument, the decision on this matter must be made in this House.

Mr. TOLMIE: Yes, what you are saying, in effect, is that Parliament can make a decision based on submissions by briefs, irrespective of having any judicial hearing with evidence.

Mr. ATKINSON: I operate on the assumption that, in a democracy, Parliamentarians are intelligent people who can make judgments based on evidence presented to them, not only at this particular point in history, but over time. And you have large volumes of this evidence presented to this Committee and to other Committees over time and, on this basis, I think you can make a decision.

Mr. FAWCETT: Mr. Southam got into a matter I was most interested in and that is this regression analysis. First, I would like to once again comment that I

was very favourably impressed with your brief. I think I can say without any reservation that it goes deeper into the subject than any other brief that has been presented here yet.

But would you go this far, and I will ask one of the two gentlemen on the other side, would you go this far as to say that this regression analysis system is merely a cost accounting system to get away from the old cumbersome way of cost accounting and that, actually, it is for the convenience of organizations that are involved in a very large business. It is a cost accounting set up for convenience mainly, would you agree with that?

Mr. KIEFERLE: Most certainly, I would. Not only that but I would say it has been a boon to industry of all types, not just the CPR, to be able to have access to efficient staffs and very accurate data processing. Nevertheless, it is all based on arbitrary decisions that you have to make as to what variables you want to compare, what variables you want to correlate, and then Mr. McCrorie went on to show that.

Mr. Fawcett: Regression analysis actually is merely what the name implies. It means rather than starting from the bottom you take the totals at the top and work your way down, does not it? Is this what is called regression analysis, would you agree with that? And, in doing this, this would not necessarily mean that you come up always with logical conclusions. Would you agree with that statement?

Mr. KIEFERLE: Let me say this. That, as far as I can see, a regression analysis is merely a statistical technique and the aim is to correlate certain independent and dependent variables. Now, the important notion that you have to keep in mind here is the choice of your variables, and this choice is strictly arbitrary.

Mr. McCrorie has given you an example of the kinds of variables you could correlate and with which you could conceivably get a very high correlation. The technique itself is sophisticated and it is a good technique. It is foolishness for me to say it is a good technique, it is a very sophisticated technique, but it does not necessarily represent the one and only answer.

Mr. FAWCETT: This is what I was hoping you would say, that arbitrary have to be used in a regression analysis system just the same as any other cost accounting system.

Mr. KIEFERLE: Certainly.

Mr. FAWCETT: So, under those circumstance, as far as I am concerned, you do not always come up with the most logical conclusion and I am not going to put you on the spot by asking if you agree on that one.

Mr. Atkinson, I gathered that, while we are supposed to stick strictly to the Dominion, that the Dominion is just one of the sores as far as C.P.R. in the West is concerned. Could I just get a short answer on that, is this correct?

Mr. ATKINSON: When you deal with a complex question such as that transportation in Canada, of which the Dominion is a part, one, in our view cannot separate this factor from all other factors involved in transportation. Therefore, we feel that we must look at the whole question of transportation in its entirety.

The CHAIRMAN: I would like to correct something on Mr. Fawcett's question. I do not think he meant to leave the impression that we are only dealing with the Dominion; we are dealing with the whole question of passenger service, with regard to the future of the CPR.

Mr. FAWCETT: Yes, Mr. Chairman, but what I wanted to bring out was this. Is it not true, then that, particularly in the west, the cancellation of the Dominion has given the people real cause for concern, due to the attitude of the Canadian Pacific Railway when it comes to providing what they consider as a necessary service. Would you say that this gives them concern as far as the whole transportation of the CPR railway transportation set-up is concerned. Would that be a true statement?

Mr. ATKINSON: On the question of passenger service, which is under review by your Committee of which the Dominion is a part, the events that transpired up to the removal of the Dominion are similar in nature to events that had transpired and that affected all other kinds of services within the CPR. Or the general attitude that has been displayed by the CPR in dealing with the need for service to the total community.

Mr. FAWCETT: I just have one very short question and I think you answered it before, I just want to make sure, and that is if you have investigated the costs that have been attributed to operating the Dominion and if you agree with these costs or have you had the opportunity of going into them?

Mr. McCORRIE: Yes, Sir, we have. Now, when I say we have, what I am really saying is we have examined the estimated breakdown of costs and revenues attributable to the Dominion by officers of the company before this Committee. I think, as we pointed out on Page 4 of our brief, we are given a range of estimates, 20 to 25 per cent for revenue attributable to passenger service; 25 to 30 per cent of variable costs per passenger service, and then other estimates are made by officers of the company to get an estimated deficit attributable to the Dominion in 1964.

We, of course, are not quite sure, we believe the officers of the company are quite sure, but we are not quite sure which estimated deficit we should take. As we pointed out, you have your choice— 8.74 million or 10.76 million. Now, if you take the first figure, it is quite apparent that the CPR has discontinued the wrong passenger train; they should have discontinued the Canadian instead of the Dominion.

It has been suggested that we have been somewhat sarcastic in some of our comments in this connection. We think we have been unduly kind to the CPR in our submission. I submit that it was the officers of the company themselves who, on many occasions before this Committee, boasted of their tremendous cost accounting procedures, computers, and what have you. And yet, when a member of this Committee asked a proper and, in our opinion, obvious question, "How much did you lose on the Dominion in a given year?", one of the senior officers of the Company first had to say he did not know and that it would take him some time to find the figures, and then, when he finally found the figures, he was generous in so far as giving you a choice of which figures you wanted to take. When we read this discussion between officers of the company and

members of this Committee, we were quite surprised—to be quite frank—that members of this Committee, did not cite this kind of behaviour as contemptuous of this Committee and of Parliament.

There is no excuse whatsoever for that Company to appear before a constituted Committee of this Parliament, and not provide the kind of answers that members have been asking—

The CHAIRMAN: Mr. McCrorie, if I might limit you on this, I think this is a matter for the members of the Committee to decide but not for you to bring to their attention.

Mr. ORLIKOW: Yes, and we are not finished with the CPR either.

The CHAIRMAN: Yes, they are subject to recall, and I must bring that to your attention.

Mr. ROCK: I am particularly interested in your recommendations to nationalize the CPR. I would like to know whether you have any knowledge regarding the shareholder make-up of the CPR. By this, I would mean that, since 1880, do you think the shareholders are the same, in that the same family have passed on their shares to relatives. Or have these shares been sold to other individuals? I understand that, in the past, possibly only 10 per cent were owned by Canadians, and I understand Mr. Crump mentioning—I believe it was Mr. Crump—that, at the moment, over 50 per cent of the shareholders are residents of Canada. Have you any comments on this so far?

Mr. ATKINSON: In answer to the first part of your question, I am sure that the make-up of the shareholder has indeed changed over time and that the original family who held shares in the original company, have also changed. Now I think, Mr. Kieferle or Mr. McCrorie you have some added information on this.

Mr. McCORIE: Not really Mr. Chairman. All the information we had on this question was available to you as presented by the CPR.

Mr. ROCK: Do you not think it is rather difficult to accept your suggestion that No. 2 of the recommendations "Public grants in aid of construction and the subsidies the public has paid the CPR over the years should be assessed against the asking price"? Do you not feel that the people who own the CPR today, who have, say, purchased shares from other individuals of the past, cannot be condemned in this manner here today? It is the same thing as supposing, sixty years ago, a person purchased a property, or built a property for \$10,000, and it changed hands 20 times, and today a person owns it and he paid say \$200,000. for this property. And just because, from the beginning, this land was possibly given to him for \$1.00 by the Province, does this mean that we can come back after 50 years and say well, since you will not purchase that piece of land for \$1.00 we are not to give you only a \$1.00 for it in expropriation.

Mr. ATKINSON: Mr. Rock, in answer to your question, this is always a difficult kind of judgment to have to make and we do not underestimate the difficulty of it. But I would like to point out that these folks are shareholders of the Company and, as shareholders, they have a responsibility to the behaviour

of their Company. And we submit to this Committee, that in violating the original agreement, then they must share this responsibility. Now, they made an independent decision to become a shareholder of the Company and therefore, having assumed all these obligations and made these decisions then we feel that, in light of all the facts that are apparent, there is no alternative but to take this attitude.

Mr. ROCK: Fine. You have recommended that we nationalize the CPR in other words, the CNR would take over the CPR. This means, I gather, that you are very much satisfied with the operation of the CNR then?

Mr. ATKINSON: Let me put it this way—that we are much more satisfied with the operation of the CNR than with the operation that has been displayed by the CPR.

Mr. ROCK: In that case, you have no objection to the overall plan of the CNR opting out of many of the lines in the West, where they want to discontinue many of the railway lines for grain carrying purposes because there is no, if I can use the word effective demand for use of this trackage today.

Mr. ATKINSON: Let me deal with this but, naturally, this is another question outside of this Committee.

Mr. ROCK: Not necessarily.

Mr. ATKINSON: However, let me answer it for you.

Mr. ROCK: Not necessarily, because of the fact that actions of the CNR quite often are the same as the CPR in opting out many of their railway lines. It seems that, in your statement here, you are now favouring the CNR, which does the same thing as the CPR quite often throughout Canada, and you want them to take over?

Mr. ATKINSON: In answering your question—in dealing directly with it. We are not opposed to the abandonment of branch lines provided the users of those lines are protected with service.

In creating an efficient railway transportation system in Canada and in the West, in particular, there are instances when if the two systems were integrated we could more rationally develop a rail transportation system in that area. And we could better allocate and use the resources that are available in a more efficient manner.

Mr. ROCK: Do you realize that you have just sunk your whole brief, because of the fact that you still have the Canadian and you have air travel? So, after what you have just stated now, your whole brief goes to pot.

Mr. ATKINSON: Would you re-phrase this?

Mr. ROCK: What you have just stated there is that when the CNR wants to abandon certain railway lines, so long as you are satisfied that there are other services to take over, then you have no objection. Now in this case, by the abandonment of the Dominion it has been proven that there is competition by the airways, to which CPR have lost customers. Therefore, you have the other service and you also have the continuation of the Canadian so, therefore, what you have just stated is that you agree on that policy.

Mr. ATKINSON: What I have just stated was in answer to the branch line question you introduced and I was dealing with this aspect of rail lines, not on the question of service on those lines.

Mr. McCORIE: If I may, Mr. Chairman, I think we agree on a principle here as I have understood your statement in connection with the principle. We would not accept the example you have chosen—not us but you have chosen—to associate with that principle.

I think the important consideration here is remarks we made on the opening page of our submission. And I refer you to the brief we submitted to this Committee last year and the examination of our point of view by yourselves last year on Bill C-120.

Our position has been that there should be in Canada one overall administrative and regulatory authority, the responsibilities of which will be to ensure that adequate transportation will be provided to meet the social and economic needs of the nation. We think, it is quite unfair to ask a particular company, which operates in a particular mould say, for example, the CNR, which operates a railway facility, to make decisions which really are properly beyond the jurisdiction and competence of that company. Therefore, we do not see nationalization, in and of itself, as the answer to the transportation problems of this country, far from it. But we see nationalization, in this particular instance, as apparent, provided Parliament passes what we consider to be intelligent and useful legislation to provide for the overall regulation, administration and control of the transportation needs of the country.

The CHAIRMAN: Mr. Rock your time has expired. I will put you down another time.

Mr. ROCK: Could I have just one more question here? Agreed, just one more question?

The CHAIRMAN: Agreed.

Mr. ROCK: First of all I should say that your brief will be the one that will give us more questions to ask the CPR than any of the others. In fact, I think we have more questions to ask the CPR than we do you, with the information that you have given us here today.

I think the part you have fallen down on is in your recommendations. If, in your recommendations, you asked for stronger regulations on public service then I would say that your brief was first class. But you recommend nationalization, and I am so much against the State owning services like this because I think the situation worsens when a service is State-owned. This is point I want to get across.

The CHAIRMAN: Can we get to the question, please?

Mr. ROCK: No, I just wanted to make that statement.

Mr. ATKINSON: You raised the question of further regulations. Earlier, submitted to you that railways in Canada probably operate under the most comprehensive set of acts and regulations of any service in the country. We have come to the conclusion that it is impossible to devise rules and regulations under which a Company like the CPR can operate, and have them perform the

services that are needed to be performed in providing the needs of the customers. We think that two things are incompatible and, therefore, we came to the conclusion that the solution to the problem was the integration of both systems.

Mr. PASCOE: Mr. Chairman, I want to join with the others in congratulating the witnesses on this brief. It was very well prepared and very well presented by the three speakers. I think there are a few strong words that might have been left out, but I guess that is good western language that they use in places. I think the outline of the 1880 agreement and the 1880 and the 1881 covenant, was very clearly presented and will be useful for the Committee members when we make provision in our report.

I will not repeat some of the questions that have been asked already, but I would just like to get a bit of detail that might be of information to the members of the Committee. You say on page 1 that the National Farmers' Union represents 60,000 farm families. How was the brief prepared? Was it presented to these 60,000 families at all, and did they approve of it?

Mr. ATKINSON: Yes, the basis of the decision to prepare the brief is based on policy that has been made by 60,000 farm families and the effect of this impinged on the policy and therefore this resulted in the decision to proceed.

Mr. PASCOE: Decisions made at Conventions of the Farmers' Union?

Mr. ATKINSON: Yes, through their local meetings, through their districts and through their Provincial and Inter-Provincial meetings.

Mr. PASCOE: You also say on page 20

so many Canadians favour nationalization of the company

Is that justified by various Committees, that is where you get that information?

Mr. ATKINSON: By people in our own organizations.

Mr. PASCOE: Have you got polls across the country at all, or just your own organization?

Mr. ATKINSON: We state it on the basis of our own organization and from what we heard in recent discussions on this question.

Mr. PASCOE: I just want to pursue one more matter in this. As other members have said, there is a lot of information presented here. I think it is information that is a challenge, perhaps, to the CPR, and I would not like to consider this as a negative brief. You presented a lot of ways in which the service could be improved and yet, at the very last, you recommend immediate nationalization. Somewhere in the brief here you referred to the fact that the CPR did not give us sufficient time to see how the faresaver plan would work out. I think that you are arguing against yourself when you present these ways of improving the CPR and yet say that you want to nationalize immediately. I wonder if you would not agree perhaps to give the CPR a fair time to try and improve their service and say that if these do not work out, you would suggest they nationalize?

Mr. ATKINSON: I am going to answer one part of the question and I am going to ask Mr. McCrorie to answer the other; the question that we made

reference to the fact that they did not give the faresaver plan sufficient time to prove itself. Implicit in this is the assumption then that if we give them more time possibly it can be improved?

Mr. PASCOE: Not just the faresaver plan, the whole system.

Mr. ATKINSON: The point that I would make on this is that it is possible, but not probable, that if management in the CPR was given more time to improve its operations, that they would take advantage of this opportunity to improve, and I base this judgment on past experience, that we have been negotiating with them and so have you for many years now, and, at every turn of the way, you have been confronted with difficulties that have been brought on because of management decisions, which is beyond your control.

Mr. McCORIE: There are just two points, Mr. Chairman, that I might add. First of all, this term 'nationalization'. I am sure 100 years from now, when people look back on our particular era, they will be amused by the way all of us have either embraced words or shied away from words, and I include all of us in this.

Many people, because of their own values and political beliefs, properly feel, I think, as Mr. Rock was suggesting, that nationalization would not be in the national interest. I think however that a careful analysis might prove different.

We have the case, for example, of the Canadian Wheat Board, with which you are acquainted, Mr. Pascoe. Now, the Canadian Wheat Board has been an effective instrument on behalf of Western growers for basically two reasons. One, was the most rational system of marketing grain and the most equitable system of marketing grain as far as the producer was concerned. Second, it happened to be administered by very competent people.

We have seen, for example, and I recall this from my childhood days, instances where the CNR was actually in many ways, I suppose, inferior to the service offered by the CPR. We have been told, and I stress that it is a rumour that, for years CNR management always looked to CPR management for guidance. We understand that the introduction of the faresaver plan—the Red, White and Blue Plan—when it was first considered by the CNR, and CPR was violently opposed to it. They never wanted competition, as we all know. And they tried to pressure the CNR, as they have in the past, from making this kind of decision which, much to their reluctance, the CNR eventually did make. It is interesting that the CNR has become in our opinion, in terms of passenger service at any rate, a most remarkable railway system in Canada these last few years. Not simply because it is a national company or publicly owned, but, in addition to this, because it has been bringing into its offices very intelligent and competent men, you see. And we think that if the railroad system is nationalized, one has to also ensure that that system is run by competent, intelligent men and women.

The second point I would like to make is why is nationalization, in our opinion, the only conclusion one can come to? The CPR provides the answer to this question. I refer you, for example, to page 42 of our submission where we quote from a statement made by an officer of the company, He says the

company does operate in a profitable position. I am now speaking of the railway operation. Therefore, its necessary passenger losses are more than offset by its freight profits. However, the total profit picture of the railway is a very modest one, 3.2 per cent on its investment.

Can you imagine how many farmers in your constituency would be only too happy to make 3.2 per cent return each year on their investment? I can think of quite a few. That is not enough for the CPR. They want more. And, more important than this, they do not want to have their money tied up in any kind of operation that does not realize considerable return. They are in it to make a buck, let us state it this way, because this is what they are all about, from their point of view. And this kind of attitude and the management policies which grow out of this kind of attitude, cannot provide the kind of service we need. Why? Because they have specifically stated that they will not provide, insofar as it is within their powers not to provide, any service, any particular train service, any one, unless they can make a buck on it. It is like a farmer saying, I will not grow one pig unless I can make a buck on that pig. And what they are saying, in effect, to the people of Canada is; "If you want the service from us brothers, then you tax yourselves and then we will give it to you, if you give us the tax, mate." Why? Because they are not prepared to operate simply at 3.2 per cent of their investment, they want more. You see.

And this is why we call this whole business a swindle, because the CPR is not saying to us, the Canadian public; "we will only ask you to provide tax revenues to us after we have applied our profits from our so-called economic services against the losses incurred in our so-called uneconomic services." You see?

Mr. PASCOE: Well, Mr. Chairman, I guess my time is just about up. I want to follow this point just once more.

Is his brief suggesting that we are just wasting our time in trying to improve the services of the CPR and that you want to nationalize immediately? That is all I want to say.

Mr. BALLARD: Well, Mr. Chairman, I was going to start out with the question that Mr. Pascoe posed at the end, and that was to make the comment that it is obvious that the brief started out with this conclusion and then put the front end of the report on afterwards. In other words, the Farmers' Union is adamant in their stand that we should nationalize the railway and then, from thereon, they present arguments to support such a conclusion.

Mr. ATKINSON: You are now making a judgment. You must remember that before you compile a document like this, and we have been dealing with this question for many years, there is a great body of material that has been gathered. And, having examined and analysed the material, we have come to the conclusion that this is the alternative that is available to us. And this is the only alternative. As Mr. McCrorie has stated, we do not feel that you nationalize for the sake of nationalization. But we feel, because of the nature of the service that is being provided, because of the inherent difficulties there are, both with respect to the management of the company and the needs of the community, that this is the alternative.

Mr. BALLARD: Do you expect that because the CPR is nationalized, that you would expect to have better management, which would give you better service than you are now getting from the CPR?

Mr. McCORRIE: We would urge that you would ensure that that was the case. Because at present you are responsible for the CNR, we would hope that you would also be responsible for the whole affair.

Mr. BALLARD: Supposing that we did nationalize the railway who would you expect would run it and who would you expect would be the liaison between the people, that is the government body, and the management of the railway?

Mr. ATKINSON: Well, I would answer your question by saying that we would hope that those charged with securing management would secure the most competent. And we would hope that, built in between the people, if you will, and management, would be a body of specialists who could examine on a continuing basis the operations of the organization and also the needs of the community, and could communicate directly to this body.

Mr. BALLARD: For example, like the Board of Transport Commissioners?

Mr. ATKINSON: Well, I would not say like the Board of Transport Commissioners because I believe there are some very inherent weaknesses in the Board of Transport Commissioners. But in dealing with this whole comprehensive matter.

Mr. BALLARD: Well, are you saying that it would be something like the Board of Transport Commissioners, except that it would probably be made up of people more competent than the present Board?

Mr. ATKINSON: No, I am not saying this. I am saying that the body that would be required would have to have within itself a broad spectre of expertise.

Mr. BALLARD: When you nationalize a whole industry, such as the railway industry in Canada, then the whole industry comes under the direct control of Parliament, and I do not know how you would run it. I am looking for suggestions from you regarding how you might run it without running a system that would be uneconomic and that would not be subjected to the political foibles of the day. Have you any suggestion on this?

Mr. ATKINSON: Number one, I would disagree that it would necessarily have to be uneconomic. I would say that, if you had an overall system, you would be in a better position to have proper allocation of your resources within the system and optimum utilization of those resources within that system, and ought to have a more efficient system. Now, with respect to the administrative body, you make reference to the sort of political implication of today. In my view I would hope and I think it is possible, to establish a body which is insulated against political implications.

Now, if there are some changes that are required, I think that this body is, in a democracy, perfectly competent to make judgments on policy matters or matters pertaining to policy and give directives to management with respect to broad policy matters as to how the company operates. Management's function then is to make the decisions that pertain precisely to the management of the complex.

Mr. BALLARD: One other question on a slightly different theme. I appreciated your analysis as to the 1881 Act resulting from, I suppose, this 1880 contract, but you say on page 42, item 3, the CPR and I quote:

By refusing to provide adequate and sufficient passenger train service has violated the terms of the 1880 contract with the Dominion Government.

Now, is the term "adequate passenger train service" defined in the 1880 agreement?

Mr. McCORIE: Adequate transportation service? No sir.

Mr. BALLARD: Then, how do you determine that the passenger train service or the rail service that is being offered is inadequate. What is your criterion for saying that?

Mr. McCORIE: Well, maybe I can give you an example. We have obtained from the Board of Transport Commissioners some figures and I accept responsibility for the accuracy of these figures. It pertains to a question raised by Mr. Honey, who is a member of this committee. We understand that he is sick and I am sure we hope that he will soon be back with you. And his secretary was most cooperative in this connection.

As you know, the CNR and CPR have abandoned their pool service between Montreal and Toronto. During that pool service the CPR used to operate a connecting train from Ottawa through Smiths Falls to Brockville, connecting with the main line to Toronto. Now, on October 31st, with the change in schedule, the CPR operated a train from Ottawa to Smiths Falls but discontinued operating through to Brockville and did this for four days. The matter was brought to their attention on November 3rd or 4th. Effective November 4th through to January 23rd, 1966, the CPR operated a train from Ottawa to Smiths Falls to Brockville for two and a half months, with no connection with the Montreal-Toronto train.

The contract says that the CPR shall operate forever, efficiently maintain and operate forever, the Canadian Pacific Railway and they define the term "Canadian Pacific Railway" to mean the transportation system.

Now, we submit that this kind of an instance that has occurred just recently—one of many—is not, in our opinion, an efficient way to run a railroad system, or even an adequate way to run it. We do not know what was expected of passengers. It has been suggested that they had to get off the Toronto train and run down the track to catch up with the CNR that had left ten minutes before.

Mr. BALLARD: Do you connect this concept of inadequacy with the elimination of the Dominion.

Mr. McCORIE: Yes. We have a comparison in terms of lines running east and west through Saskatoon and Edmonton, and with the CPR main line running through Regina, Medicine Hat, Calgary. The CNR now runs, through the winter months two fully equipped trans-continental trains east and west each day and men who work on that railroad have told us, and we cannot confirm this, it is just by way of mouth, that they are going to have to increase

their capacity this coming summer to handle potential traffic. Here in the southern part of the Western Provinces we have only one transcontinental train being operated since 1960 for the most part of the year.

Now, as we pointed out in our brief, and as the CPR themselves said, how does a passenger feel when he gets on a train and is paying the same fare that he would pay if he was travelling, say, on the Canadian, and he sits in a coach? We do not think that efficiently maintaining a railroad system includes deliberately downgrading that system. If it does, then we would submit this is a rather unusual definition of efficiency.

Mr. BALLARD: I agree with you on this attitude of efficiency.

The CHAIRMAN: I am sorry but I have to cut off your time.

Mr. BALLARD: All right.

The CHAIRMAN: If you do not mind. Mr. Orlikow.

Mr. ORLIKOW: I am not going to be very long because, for the first time, I find myself agreeing with Mr. Rock on anything and that is, he said that this brief has given us a tremendous amount of questions to ask the CPR when they come back. I think that this brief has highlighted the lines which we have to pursue with the CPR and that, rather than ask questions of this delegation, the questions which they raise have to be asked and the answers have to be obtained from the CPR.

There are, I think, a few things which it seems to me need to be cleared up. First of all, there was an inference drawn, I think, by some members of the committee, that the Farmers' Union does not think that the management of the CPR is not—I forget the exact terms that were used—efficient. It seems to me and I will put the question as I think it was meant, and see what you think, that what you are saying is that the management of the CPR is not good for the people of Canada. It is very good for the CPR and very efficient for the shareholders of the CPR and is doing very well for them but it is not particularly interested in meeting the needs of the people. In other words, if you did have nationalization, and the same management of the CPR is given different objectives, it would probably do a very efficient job. I wonder if the way I put it is the way in which you really meant it.

Mr. ATKINSON: Yes, I think we have made this point in the brief. We have not questioned their competence within their terms of reference. They have particular terms of reference within which they are operating and certainly they are good investors, as witnessed by the net return they show from other operations which they administer. But when it comes to their terms of reference with respect to the public sector, it seems to us that the urge is to invest more in a sector that returns are greater percentage on capital investment than to invest in an area of service which is required by the public sector and which returns a fairly low rate of return compared to their other returns.

If the decision is made to nationalize, which we hope it will be, this would be the responsibility of those charged with the responsibility of setting up the administration, in terms of who they chose to manage their enterprise. And it is quite conceivable that some of those people who are presently operating in the CPR may be taken on.

Mr. ORLIKOW: Mr. Chairman, the suggestion in the brief that the CPR be nationalized seems to have upset some members of the committee. I would like to ask one question. When you suggest nationalization and you are not alone in this—I think the Canadian Federation of Agriculture has also suggested that, only they do not call it nationalization, they call it public ownership and I think it is the same thing—you are not, as I take it, suggesting for a moment that it be expropriated. I would like to give you a chance to clear this up. What you are suggesting is simply that when the price for the company is set, consideration be given in the setting of a fair price to the large contributions given by governments through the years in the way of tax grants, land grants, subsidies and so on. Is that a fair statement of your thinking on this subject?

Mr. ATKINSON: Yes, I would say that it is a fair statement in terms of how we conceive nationalization would take place. The shareholders would be remunerated for the investment that they have in the enterprise, taking into consideration the public investment that has been made in the enterprise and, through this, the opportunity for generating increased wealth because of public policy.

Mr. ORLIKOW: Just one more question, Mr. Chairman. In your brief you quote on page 42 the statement made by an officer of the company, and I am quoting exactly from your brief and from the statement of that official:

The total profit picture of the railway is a very modest one, 3.2 per cent on its investment.

Now, I am just wondering, in preparing this brief did you people accept that as the actual average, as a fair statement of the profits of the company? I do not want to take a full day to analyse it but I am thinking in terms of the fact that the value of the shares of the CPR in the last few years have doubled. I am thinking in terms of the statements issued by the CPR in the last couple of weeks about the value of Canadian Pacific Investments, which is a wholly owned subsidiary of the profit division of Consolidated Mining and Smelting, which you have referred to, and their other wholly or partly owned subsidiaries. Do you accept this statement that their profit is only 3.2 per cent on their investments?

Mr. ATKINSON: Having some knowledge of how bookkeeping is done, we accepted it with tongue in cheek and went from there.

Mr. ORLIKOW: I will accept that on the basis that that is a very modest assessment.

Mr. BELL: Mr. Chairman, I only want to ask one question. I am sorry that I had to leave this morning. I think that the brief has been very helpful and it certainly gives us an idea of western thinking. We are very much aware of our responsibilities. I might say to the witness, and this committee, that our investigation and questioning of the CPR is only preliminary. We have thoroughly understood they are coming back. We are also going to get expert witnesses with a trip out west and we hope that, as it develops and we are making our final once-in-a-lifetime report on this very important subject, that if we need further information from you people it might be possible to call you again.

I wonder if the witnesses saw the brief of the Locomotive Engineers, because it impressed some of us very much, and, as I understand their brief—I have not got it here—but they first of all called for a full study of the responsibilities under the original Acts. And then, secondly, they suggested that, in some way, the responsibilities to maintain minimum passenger services in Canada be established and assessed to both railways. And then, under a formula, perhaps administered by the Board of Transport Commissioners, the two railways could earn some sort of subsidy if they maintain these passenger service requirements in a satisfactory way. I suppose this would be a step towards nationalization and it impressed me as a move that such could go forward and then be assessed at a future time. I was wondering what you think of this.

Mr. ATKINSON: Well, not having seen the document I, personally, could not comment on it. With respect to whether or not it was a form of nationalization, I would suggest that it is not. Again, I do not know, I have not seen the document. Mr. McCrorie, would you like to comment?

Mr. MCCRORIE: Mr. McKieferle and I had an opportunity of looking at their submission and examining the questions you put to Mr. Walters. However we have not really had a chance to study this as closely as we would like to.

Our first impression, I underline first impression, would be that the conclusions they drew were warranted by some of the observations they made and by some of the observations we have made that we feel are important. But I would stress that that was a first impression, and I think that, in fairness, we would have to maybe reserve a more adequate comment until we have had a chance to study it a little more closely.

Mr. BELL: Mr. Chairman, perhaps it might be possible for the Farmers' Union to consider this more specifically and, even if you are not called, a supplementary brief to us would be helpful.

The CHAIRMAN: Unless we are able to discuss this further when we get out west they are quite welcome to appear before us. Mr. Saltzman.

Mr. SALTSMAN: Mr. Chairman, I will be very brief. The question I would like to ask is in connection with the possible organization of a nationalized, integrated railroad service. There has been some representation made by the CNR that they be established with the powers of a Crown corporation and the freedom to act under that kind of legislation. What is your feeling regarding the combining of the CNR and the CPR into an organization in the form of a Crown corporation?

Mr. ATKINSON: Mr. Saltzman, first of all, I would have to concede to this Committee that we are not experts in this field and, as such, any comment we make is an opinion. But I see no reason why this system could not be organized under a Crown corporation.

Mr. SALTSMAN: The reason I ask that question is that this matter has been raised regarding the freedom of activity to rationalize in some cases, to draw up economic lines and while acting in the public interest, not be a tremendous burden on the taxpayer. And a Crown corporation would have this kind of freedom.

Mr. HYMMEN: I have one question, and I wish to refer, on page 10, to your continued reference to the faresaver plan, reduced fares, and the connection with quality of services. Now, I admit that there is some relationship, but I think these are two separate matters because, unless proper services are provided, there are people who will not patronize the railways.

The CHAIRMAN: Would you speak up please. We are having some difficulty in hearing.

Mr. HYMMEN: Unless the quality of service is improved or certain standards provided, there are probably people who wouldn't patronize the railway if the fare were nil. Would you agree that the connection in these two is probably incorrect? I think the prime requisite, of course, is the maintenance of proper standards of service. The CPR I believe, have admitted that they put on the substandard equipment on the Dominion, which had something to do with the patronage of the Dominion, because they did not wish to invest the capital required with the future that they could see for this train. In other words, one works against the other. So that the thing that concerns me about the whole rail transportation is that there are other forms of competition which you have not mentioned: the highway transportation on an individual or multiple basis and the air transportation which the CPR is involved in. I know in the eastern part of Canada that, eventually, some type of more improved high speed rail transportation will have to be provided because we cannot forever continue building super highways and super highways on top of each other.

I think this whole question is an important one but I rather question whether a fare-saver plan, or whether or not the CPR did not give it a fair trial has really too much bearing on the present situation.

Mr. KIEFERLE: Well, if I understand you correctly sir, you are saying that you are agreeing with the CPR that they did give it enough of a trial?

Mr. HYMMEN: No, no. I say I think your connection with the reduced fares and quality of service are maybe joined together too much in error; they are two separate matters. Do you agree with that or not?

Mr. KIEFERLE: Well, of course, they are two separate matters but nevertheless, if you just reduce fares in the Company that way, deterioration of services provided hooking up thirty-year-old coaches and things of that sort, you are not going to attract additional passengers, which is the objective of reducing fares, is not it?

Mr. ROCK: Are we going to come back again?

The CHAIRMAN: I was going to put it that I doubt that, unless there are some very important questions and I have no other people, we have no intention of coming back this afternoon. We have to get an Order of the House to sit this afternoon.

Mr. ROCK: Are we completing our questioning of these gentlemen? Can I ask one question before we do that?

The CHAIRMAN: Question—no statement, Mr. Rock.

Mr. ROCK: Question—no statement. I think it is an important one. In your brief, you have shown that the CPR paid 3.2 per cent on the investment to the shareholders and you have also recommended that we nationalize this Company. If we do so, Canada would have to make a bond issue, in which we pay to-day more than 5 per cent, to pay off the shareholders. Therefore, do you not think that the financial situation in this regard would mean that this Company then, owned by the Government, would show a deficit for years to come?

Mr. ATKINSON: Let me just answer part of the question and then I will turn you over to Mr. Kieferle. In respect of the 3.2 per cent, as I mentioned earlier, we have used the Company's figures, not our figures, but the Company's figures, and we did with tongue in cheek.

Mr. KIEFERLE: Yes, and in addition to this, of course, the 3.2 per cent of profit refers to the profit received by the Canadian Pacific Railway Company; in 1964, this 3.2 figure amounted to some \$44 million dollars. I am referring to the *Financial Post*, April 9th, 1966 edition, from which I am taking these figures, and, in addition to this, the CPR also received profits on wholly-owned and partially-owned subsidiaries, the amount of which comes to about \$60 million dollars. So that the total profit, the net profit, is probably in excess of \$100 million dollars. And then you are not talking about 3.2 per cent profit on the investment.

Mr. ROCK: In these other companies, are there not shareholders also and, in that case, on those shares on the subsidiaries, there must be shareholders who have investments there, and what was their return on their investment then?

The CHAIRMAN: I think you are going beyond the range of questions.

Mr. ROCK: Yes. I know, Mr. Chairman, but you understand the point here. They want us to nationalize. And we have to take a serious look at this also and question for the reason that what is it going to cost the Canadian people; what is it going to cost, as far as interest is concerned, to the Canadian people?

Mr. BALLARD: I think there is one important question that follows from this. I am just speaking from memory, but does not this \$44 million dollars profit reported by the CPR include dividends received from subsidiary companies?

Mr. MACALUSO: No. No. He stated, I believe that the \$44 million dollar profit is only what the transportation, CPA and Canadian Pacific Railways itself, not the wholly-owned or partially-owned subsidiaries which he pointed out amount to some \$60 million dollars.

Mr. ORLIKOW: Mr. Chairman, may I make a suggestion that detailed financial questions with regard to the CPR should be asked, and I for one certainly intend to ask them, of the CPR. I am sure we all appreciate the information we have received today.

The CHAIRMAN: I think unless there are any other questions to be asked of the delegation here and the witnesses that we could move on, unless you have something, Mr. Sherman.

Mr. SHERMAN: I do not Mr. Chairman. I do not have a question, I have a point that I would like to make for the record with reference to it.

The CHAIRMAN: We are really questioning; we are not making statements, so if you would not mind, Mr. Sherman, I would prefer you to leave it, and perhaps we will have an opportunity in our public hearings to bring it out.

But I would like at this time to thank Mr. Atkinson, Mr. McCrorie and Mr. Kieferle for their presentation before this Committee. It has been an exhaustive, very complex and a very informative one. I left an agenda of the western public hearings with the delegation and we hope that if we invite them to appear before us, they will meet with us there.

But, before we leave, there are some very important matters to be discussed for about five minutes before you rise, gentlemen, and then we will adjourn at the call of the Chair. Thank you very much.

Mr. ATKINSON: Mr. Chairman, on behalf of Mr. Kieferle, Mr. McCrorie and myself, we appreciated the opportunity of making this presentation to you this morning, and would like to say that we are available any time you may wish to recall us, if you so desire.

The one final thought I would like to leave with you is the one that was raised by Mr. Rock, who raised the question: what about the cost of nationalization?

Mr. MACALUSO: Well, I think we had better leave that now. We cut off the questioning and answering, Mr. Atkinson. Thank you.

Mr. ROCK: Mr. Chairman—

Mr. MACALUSO: Well, now I think we are going to get into an area of argument rather than question and answer, and I think we had better drop it right there.

Mr. ROCK: There are some other—

The CHAIRMAN: Mr. Rock, I really wish to finish. Gentlemen, I wish to point out to you that there has been distributed to you the schedules of the public hearings. The plane and train schedules, expense allowances, specification and plane insurance applications. And I would ask the representatives of all the parties on the Steering Committee to call a meeting, probably the first of the week to have prepared the list of all the Members who are going on the trip and the replacements, if any. I presume there will be some replacement for some Members. Regarding the agenda, as you see it before you, I wish to point out to you that I have already received mail from various areas in the western provinces and out in B.C. and in Ontario, and that, up to today anyway, we will at least have a minimum of two briefs presented to us at each municipality where we will be holding our public hearings.

We are also informed that there will be a presentation made by others who will not advise us, but who will be present there at the time. So you can count on at least a minimum of two presentations, at this date, in Vancouver, Calgary, Medicine Hat, Moose Jaw, Brandon, Winnipeg. There may be three in Winnipeg right now, and two right now at Port Arthur from organizations and from individuals.

If there are any questions on this matter I think that we will discuss them at the sub-committee meeting at the first of the week. If that meets with your approval, we will adjourn at the call of the Chair.

APPENDIX J

Table I
Comparative Indices

	CPR		CNR		Agric.	Consumer
	Index A	Index B	Index A	Index B	Index	Price Index
1949	100.0	100.0	100.0	100.0	100.0	100.0
1954	111.1	103.5	118.5	109.3	92.7	116.2
1955	117.5	103.4	124.9	110.3	91.1	116.4
1956	131.0	106.2	135.2	112.2	91.8	118.1
1957	141.5	106.2	141.0	115.0	91.6	121.6
1958	139.8	113.2	136.2	120.0	96.1	125.1
1959	151.6	109.8	144.0	116.1	96.8	126.5
1960	168.0	111.2	148.0	116.5	97.8	128.0
1961	171.7	115.3	151.0	118.8	102.2	129.2
1962	172.8	113.5	169.3	120.8	106.4	130.7
1963	164.1	109.4	169.8	122.3	101.4	133.0
1964	179.6	89.7	177.2	118.0	104.4	135.2

Source: DBS: Catalogue Nos. 52-201 and 52-202 (1965)

DBS: Canada Year Book 1957-1965

Note: Index A is the "average per passenger train mile revenue" of the respective railways. Index B is the "average revenue per passenger mile" of the respective companies. In both cases the year 1949 = 100.0

APPENDIX K

Table II
revenue Passengers Carried (1000)

Year	No.	CN % Change	No.	CP % Change	CP's Share of Total
1960	13,308		7,059		34.6%
1961	12,105	-9.0	6,275	-11.1	34.1%
1962	12,444	2.8	6,440	2.6	34.1%
1963	13,599	9.3	6,749	4.8	33.1%
1964	15,501	14.0	6,997	3.7	31.1%

Source: DBS Catalogue Nos. 52-201 and 52-202 (1965)

APPENDIX L

* V. C. Fowke, *The National Policy and the Wheat Economy*, (Toronto: University Toronto Press, 1957), pp. 68-69.

* In this connection, we refer members to a statement made before the Saskatchewan Provincial Conference of Railway Retention Committees by Mr. S. M. Gossage, Vice-President and General Manager, Prairie Region, Canadian Pacific Railway, and cited in our submission to this Committee during your hearings in March, 1965, on Bill C-120.

HOUSE OF COMMONS

First Session—Twenty-seventh Parliament

1966

STANDING COMMITTEE

ON

TRANSPORT AND COMMUNICATIONS

Chairman: Mr. JOSEPH MACALUSO

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 9

SATURDAY, MAY 7, 1966

Vancouver, B.C.

Respecting

The subject-matter of the adequacy of the present program and future plans for passenger service on the lines of the Canadian Pacific Railway.

WITNESSES:

Messrs. Charles Brazier, Q.C., Counsel for the Government of British Columbia; H. W. Colbourne, Co-Chairman of the Brotherhood of Railroad Trainmen, Lodge No. 144; Fred. H. Lowe, Chairman of the Brotherhood of Railroad Trainmen, Provincial Sub-Legislative Board, British Columbia; G. MacKenzie, a retired C.P.R.'s employee and a former member of the Brotherhood of Locomotive Firemen and Enginemen, Lodge No. 341; W. S. King, Recording Secretary of the Brotherhood of Locomotive Firemen and Enginemen, Lodge 341.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1966

STANDING COMMITTEE
ON
TRANSPORT AND COMMUNICATIONS

Chairman: Mr. Joseph Macaluso

Mr. Gustave Blouin¹⁵

and Messrs.

¹⁴Allmand,
Andras,
Bell (*Saint John-
Albert*),
Byrne,
Cantelon,
Carter,

¹³Deachman,
Fawcett,
Horner (*Acadia*),
Hymmen,
Lessard,
¹²McIntosh,
Olson,
Orlikow,

(Quorum 13)

¹¹Ormiston,
Pascoe,
¹⁰Rapp,
Reid,
Rideout (*Mrs.*),
Rock,
Sherman,
¹⁶Tolmie—(25).

Maxime Guitard,
Clerk of the Committee.

¹⁰Mr. Ballard replaced Mr. Rapp, on May 3, 1966.

¹¹Mr. MacEwan replaced Mr. Ormiston, on May 3, 1966.

¹²Mr. Howe (*Wellington-Huron*) replaced Mr. McIntosh, on May 3, 1966.

¹³Mr. Caron replaced Mr. Deachman, on May 4, 1966.

¹⁴Mr. Boulanger replaced Mr. Allmand, on May 4, 1966.

¹⁵Mr. O'Keefe replaced Mr. Blouin, on May 4, 1966.

¹⁶Mr. Thomas (*Maisonneuve-Rosemont*) replaced Mr. Tolmie, on May 1966.

ORDERS OF REFERENCE

TUESDAY, May 3, 1966.

Ordered,—That the names of Messrs. Ballard, MacEwan and Hcwe (Wellington-Huron) be substituted for those of Messrs. Rapp, Ormiston and McIntosh, on the Standing Committee on Transport and Communications.

WEDNESDAY, May 4, 1966.

Ordered,—That the names of Messrs. Caron, Boulanger, O'Keefe and Thomas (*Maisonneuve-Rosemont*) be substituted for those of Messrs. Deachman, Allmand, Blouin and Tolmie on the Standing Committee on Transport and Communications.

Attest.

LÉON-J. RAYMOND,
The Clerk of the House.

MINUTES OF PROCEEDINGS

SATURDAY, May 7, 1966.

(17)

The Standing Committee on Transport and Communications met at the Court House in the City of Vancouver, B.C., at 10:00 o'clock a.m. P.D.T. this day. The Chairman, Mr. Macaluso, presiding.

Members present: Messrs. Andras, Ballard, Bell (*Saint John-Albert*), Boulanger, Byrne, Cantelon, Caron, Carter, Fawcett, Howe (*Wellington-Huron*), Hymmen, Lessard, Macaluso, MacEwan, McWilliam, O'Keefe, Olson, Pascoe, Rock, Saltsman, Southam, Thomas (*Maisonneuve-Rosemont*).—(22)

In attendance: Messrs. Charles Brazier, Q.C., Counsel for the Government of British Columbia; H. W. Colbourne, Co-Chairman of the Brotherhood of Railroad Trainmen, Lodge No. 144; Fred. H. Lowe, Chairman of the Brotherhood of Railroad Trainmen, Provincial Sub-Legislative Board-British Columbia; G. MacKenzie, a retired CPR's employee and a former member of the Brotherhood of Locomotive Firemen and Enginemen, Lodge No. 341.

The Committee resumed its consideration of the subject-matter of the adequacy of the present program and future plans for passenger service on the lines of the Canadian Pacific Railway.

The Chairman opened the meeting and expressed the Committee's satisfaction to sit in the very important City of Vancouver, B.C. He also welcomed the witnesses who already expressed the desire to be heard.

Mr. Brazier was the first witness to be called. He read a brief before being questioned thereon.

The examination of the witness being completed, the Chairman, on behalf of the Committee, thanked Mr. Brazier who retired.

Then Mr. Colbourne was invited to read his two briefs before being examined thereon.

Mr. Fred H. Lowe, without making any representation, appeared to be questioned on the matter before the Committee.

Having completed its examination of these two witnesses, the Committee, through its Chairman, thanked Messrs. Colbourne and Lowe who retired.

In his turn, Mr. G. MacKenzie, a former member of the Brotherhood of Locomotive Engineers was called; made an oral representation and was questioned thereon.

His examination being completed, he retired after the Chairman had thanked him on behalf of the Committee.

Mr. W. S. King, Recording Secretary of the Brotherhood of Locomotive Firemen and Enginemen, Lodge No. 341, was, in his turn, invited to make his written representation and, thereon, was questioned.

The examination of the witness continuing, at 1:30 p.m. the Committee adjourned until 2:30 p.m. P.D.T.

AFTERNOON SITTING

(18)

The Standing Committee on Transport and Communications reassembled at 2:55 o'clock p.m. P.D.T., the Chairman, Mr. Macaluso, presiding.

Members present: Andras, Bell (*Saint John-Albert*), Boulanger, Byrne, Caron, Carter, Fawcett, Howe (*Wellington-Huron*), Hymmen, Lessard, Macaluso, MacEwan, McWilliam, O'Keefe, Olson, Pascoe, Rock, Saltsman, Southam, Thomas (*Maisonneuve-Rosemont*)—(20).

In attendance: Mr. W. S. King, who has already been introduced at this morning's sitting.

The Chairman invited Mr. King to read his brief before being questioned thereon.

On motion of Mr. Lessard, seconded by Mr. O'Keefe,

Resolved unanimously—That a table of the cost for sleeping car supplements—Revelstoke, B.C., and Vancouver, B.C., be printed as an Appendix to this day's Minutes of Proceedings and Evidence (*see Appendix M*).

On motion of Mr. Southam, seconded by Mr. Carter,

Resolved unanimously—That the document intituled Greyhound Lines of Canada Ltd., 1965 Annual Report, be filed with the Committee.

The examination of the witness being completed, the Committee, through the Chairman, thanked Mr. King who retired.

At 4:15 o'clock p.m. P.D.T. the Committee adjourned until 10:00 o'clock a.m. on Monday, May 9, 1966, when the sitting is scheduled to be held at the Court House in the City of Calgary, Alberta.

Maxime Guitard,
Clerk of the Committee.

EVIDENCE

FRIDAY, May 6, 1966.

(Recorded by electronic apparatus)

The CHAIRMAN: We now commence the public hearings on the terms of reference granted to this Committee by the House of Commons as to the passenger service of the Canadian Pacific Railway. For the information of those who may be presenting briefs, the terms of reference of the Committee, and we are confined to these terms, are as follows:

That the subject matter of the adequacy of the present program and future plans for passenger services on lines of the Canadian Pacific Railway to meet the effective demand of the public for such service, and the effects of such program and plans be referred to the Standing Committee on Transport and Communications for their consideration, and report.

As I stated earlier, we are happy to start in the City of Vancouver, on what we consider to be very important public hearings. We consider them very important, not only from the point of view of passenger service of the Canadian Pacific Railway on their rail lines, but also because this is the first time that an all-party standing committee of the House of Commons has taken to the road to receive briefs personally in the areas that are affected and talk to people locally with respect to the issues that are before us. We have indications that this will be the order in which the presentations will be heard today. The brief from the government of British Columbia will be presented by counsel for the government, Mr. Charles Brazier, Q.C. The second presentation will be made by The Brotherhood of Railroad Trainmen, Lodge No. 144. There were indications that the Brotherhood of Locomotive Firemen and Enginemen, Gold Range Lodge No. 341, Revelstoke, British Columbia, would be making a presentation this morning. We received a letter from Mr. W. S. King, and I believe the clerk has tried to find if there is anyone from the Brotherhood of Locomotive Firemen and Enginemen present today. I gather there is not yet, but we will wait for them.

A VOICE: Mr. Chairman, Mr. W. S. King is arriving this morning on the "Canadian". I believe he was confused by the time element, so he will not be here until 11.45.

The CHAIRMAN: We will then hear that brief. There was an indication this morning of an oral presentation to be made by Mr. MacKenzie, former locomotive engineer with the Canadian Pacific Railway.

Mr. Brazier, we will commence with you sir, and the presentation of the government of British Columbia, if you would like to come forward. Are there any questions from the Members of the Committee before we commence?

Copies of the brief have been distributed. There were some 20 copies—all that we have available.

Mr. HOWE: Mr. Chairman, in some of the evidence of the Committee some reference was made to analysts. Have those been retained as yet?

The CHAIRMAN: The analysts are at the present time being considered by the Minister's office. We have presented our list, and I believe we will be retaining independent cost analysts by the time we return to Ottawa. At a meeting in Ottawa, we will discuss who that independent cost analyst will be. We will also then be hearing representations from the costs analysts of the Board of Transport Commissioners.

I would now like to welcome Mr. Charles Brazier, Q.C., counsel for the government of British Columbia. Those who have not a copy of the brief will have to follow as best they can. Our proceedings are usually automatically and simultaneously translated into French. However, we do not have those facilities available to us on this trip, and therefore we are not able to have simultaneous translation. Members of the Committee will readily understand this.

Mr. BOULANGER: Mr. Chairman, one second, please. Since you mentioned the fact that we have no translation I would ask a very special favour of English-speaking witnesses or even members. Being French-speaking and not perfectly bilingual, I would ask that—and I notice this morning that the Vancouver accent seems a little bit different too from the east—you do your best to speak as slowly as possible, or excuse us once in a while if we might ask you to repeat, if you do not mind.

The CHAIRMAN: I would be very pleased to do that. Mr. Brazier, proceed sir.

Mr. CHARLES BRAZIER, Q.C. (*Counsel for the government of British Columbia*): Mr. Chairman, and gentlemen of the Committee, while it was not expressly included in the instructions which I received from the Attorney General, I am sure he would wish me, on his behalf, to welcome you all to the Province of British Columbia on this occasion, which I think is probably rather unique. I have had the privilege of representing the various provincial governments of British Columbia since the year 1947 in freight rate matters, and over that relatively long period of time, I do not ever recall a previous meeting of a parliamentary committee in British Columbia. We have, of course, over those years been favoured by royal commission hearings and many hearings of the Board of Transport Commissioners, but from my knowledge this is a rather unique occasion, and on behalf of the Attorney General, I would like to thank you Mr. Chairman, and members of the Committee for coming here to Vancouver to hear not only the presentations, that are being made on behalf of the government, but of other parties as well.

Mr. Chairman, I appear on behalf of the Government of British Columbia. Historically, this province has always favoured any action on the part of Canadian railways which would serve to reduce the cost of service and thereby permit a reduction in the high transportation cost which this province must pay in order to sell its products in the markets of Canada, or to use the language of

the MacPherson Royal Commission, to "ease the strain upon shippers at the extremities of the nation". (Vol. II, page 5). Our position has been stated before the Board of Transport Commissioners for Canada at many hearings over the years, and at at least two royal commissions before which I have had the privilege of representing this province, namely in 1950 and 1951, and in 1959 and 1960, which commissions actually continued into 1961. When counsel appeared before the board recently in respect of the application to discontinue the "Dominion", this position was reiterated in the following words (and I might say that my colleague and partner, Mr. Alley, who is here with me this morning, appeared at that time before the Board of Commissioners):

If the board is satisfied after a thorough study, that the continuation of the service is both unremunerative and not required in the public interest, then in keeping with its previously-announced policy, British Columbia would not oppose the elimination of the Canadian Pacific Railway train known as "The Dominion."

I think it is correct to state that at least in general terms, this policy was accepted by the MacPherson Royal Commission in its report in 1961, and I have reference particularly to their comments, commencing on page 8 and continuing through to the middle of page 9 in Volume I of their report. It was not my intention to read that excerpt to the members of the Committee. I am sure the Committee has been studying the MacPherson Report but I do call your attention to those particular pages. It is regrettable that although both the present and previous governments have apparently accepted many of the recommendations of this commission, including the one to which I make reference, legislation has not yet been passed to give effect to these principles. The result has been that the railways have taken upon themselves, to initiate a general plan of abandonment of passenger services. We do not object to this, but we do ask for assurance that any such policy of abandonment will be applied equally to all parts of Canada.

In 1949, the Canadian Pacific Railway Company provided rail passenger services in this province which consisted of trains operating on the main line, three times daily to and from the East, and in the Kootenays one train each way daily, connecting Vancouver with Alberta communities and serving such cities and towns in British Columbia as Hope, Penticton, Nelson, Cranbrook and intermediate points. There was, in addition, a daily train operated between Victoria and northern Vancouver Island points. Today, there is no CPR rail passenger service in the southern cities of this province. The Coquihalla pass line has been closed and the track has been lifted. The rail service on Vancouver Island is provided by Budd car. Now, I do not suggest that that might not be adequate, but I am just trying to set forth the abandonments and the decrease in service that have taken place over these years. The transcontinental service has been reduced to one train daily.

Mr. BOULANGER: I am sorry, sir, what do you call a Budd car?

Mr. BRAZIER: It is a combination diesel and passenger car all in one unit.

The CHAIRMAN: I wonder if we could allow Mr. Brazier to complete his brief, and then the questioning will follow thereafter.

Mr. BOULANGER: I wanted to know what a Budd car was Mr. Chairman.

Mr. BYRNE: Mr. Chairman, I think it was understood that in view of the fact that we did not have French translation, the French member may ask questions.

Mr. BOULANGER: I do not think that I am the only one that does not know what a Budd car is.

Mr. CHAIRMAN: Order, please. Questioning will take place after the brief is presented, on any matter. Mr. Brazier.

Mr. BRAZIER: We submit that the point has now been reached at which the reductions in passenger service by the CPR in this province are so extensive that they cannot but be prejudicial to the public interest. We have now reached the point that any further reductions would simply eliminate the last vestige of passenger train service to the citizens of Canada residing between the Rocky mountains and the Pacific coast. It must now, and for all time in the foreseeable future, be made abundantly clear to the CPR—which by the way has received untold bounty from this province—that future abandonments cannot and will not be permitted. While there is no doubt that competitive forces have altered travel habits, particularly during the last 20 years, and that this trend has justified the abandonment of a considerable number of passenger services, nevertheless, a limit must be placed on how far the railways, or either of them, can carry this policy. The province of British Columbia must and will oppose any further reduction of services by the CPR, regardless of the profitability or otherwise of that last remaining service. In this respect, we agree with the statement of the Board of Transport Commissioners in their judgment of January 7, 1966, wherein—starting at the bottom of Page 78—they say

“The efficient operation of the railway, called for by the 1880 contract, is not necessarily synonymous with profitable operation of each and every train, or service,

and we would go even further and say,

not necessarily synonymous with profitable operation of the railroad as a whole at any particular time in its history.

The CPR has an obligation to the people of Canada, for which substantial consideration was given by the people of Canada. Until the terms of that contract are revised by mutual consent, the company is required to carry out its obligations. We cannot stand by and have that obligation whittled away in a piecemeal fashion so that it no longer has any real meaning. While it is true that the percentage of the travelling public carried by the railways has dwindled very significantly over the past years, there is a substantial number of Canadians who wish to—and do, whenever possible—travel on the railways in preference to other modes of travel. This is particularly noticeable from a study of the traffic during the height of the tourist season. Tourism today is an important economic factor for Canada, and we are particularly conscious of this in British Columbia. Railway passenger services are essential in order to develop and expand tourism.

This year, British Columbia is celebrating its Centennial, and expects an overflow of tourists from all parts of the continent and overseas. Next year,

Canada celebrates its Centennial with the same high expectation. We, who live in this province, think of British Columbia as a vacation paradise, and so advertise it throughout the world. The government is concerned by the loss of rail services, and particularly during the peak vacation period which I have already mentioned. We think it is not sufficient to say to intending passengers that bus and air services are available for their use. In our opinion, this is not a proper answer to be made to the travelling public. The impact of the tourist travel on the revenues of the CPR, even in normal years such as 1964 and 1965, is very strikingly shown by the graph indicating the revenues of the "Dominion" in those years, which graph was presented with our brief to the Board of Transport Commissioners, and copies of which I have for the use of this Committee. I am not sure, Mr. Chairman, whether they were distributed with the copies that were handed around or not.

MR. CHAIRMAN: Do all members have copies of the graph with the brief that has been distributed? Attached to the brief?

Some hon. MEMBERS: Attached to the brief.

MR. BRAZIER: It is to be noted that the graph only covers 1965 to the month of July, but even then, it was indicated that 1965 was to be a better year than 1964. Unfortunately, gentlemen, that was the last month for which we had immediately available the passenger statistics, on the same basis as the rest of the graph.

Now, may I say a few words in respect of the brief presented to this Committee by the CPR which in its summary form, has been carefully considered. I have great respect for both Mr. Crump and Mr. Sinclair, but think that their submission leaves many criticisms of the company unanswered. In particular, we do not feel that the submission deals adequately with non-rail income. We agree that other rail services, such as freight services, ought not to bear the cost of maintaining a passenger service which is required in the public interest. We remain unconvinced that the cost of such service should not be borne by the non-rail income. It is the view of the government of British Columbia, that if the service is required in the public interest, it ought to be paid out of the non-rail income. We have looked in vain for any constructive plan for the future. What plans there are seem to be shrouded in doubt. We derive very little comfort from the statement, quoting from the brief "It is apparent that the "Canadian" will be operated for many years to come." We get less comfort from the fact that all plans are apparently for reductions in service, or increases in fares. The fact is that the Canadian Pacific Railway has no plans for its passenger services, other than to continue to discontinue all services, which do not meet variable costs. The Canadian Pacific Railway in fact has said: "We made one great experiment—the "Canadian"—that fell through; we see no future in rail passenger service, and we will now direct our efforts solely to the freight services, which as a whole, do pay." In our submission, this is to abdicate the railways' public duty. We hope that this Committee will recommend to Parliament, a limit beyond which rail passenger services may not be reduced.

Finally, may I say a few words on behalf of some of the cities on the interior of British Columbia that are affected by reductions of passenger service. I have received communications from the Mayors of Revelstoke and Kamloops,

both situated on the main line of the CPR and the Mayor of Kelowna, the centre of a very rich freight traffic area for the CPR, but those residents must, even now, take a bus to a main line point, if they wish to avail themselves of rail service. Their criticism can be summarized in a general way by saying that the CPR has already gone a long way towards discouraging passenger traffic on its trains, by the inadequate service it has been rendering in the past few years. It is to be hoped that if the "Dominion" is not restored to serve the tourist traffic this summer, the operation of the "Canadian" will be expanded to ensure that all passenger traffic that is offered to the CPR will be efficiently handled by it.

All of which is submitted on behalf of the Attorney General of British Columbia, acting on behalf of the government.

The CHAIRMAN: Thank you very much, Mr. Brazier. I have one questioner now.

Mr. BOULANGER: Before my question, I would like to thank you very much Mr. Brazier, you have helped us, the French-speaking members, to understand it pretty clearly. I am sorry if I had to intervene on this expression of "Budd Car"—I still do not know exactly what you meant. In any case, there is no doubt, after listening to you that the government is really much concerned now with the problem we are all facing and particularly the western part of Canada. But if the Committee decided to come here and listen to all the grief from you and others, it is because we recognize the fact that when we return to Ottawa we will certainly be in a better position to make a proper recommendation to the House of Commons.

I would like to end by saying that you are celebrating some kind of Centennial and we will be doing it next year. If I were a westerner, I would be inclined to say as many of you do right now that of the many inquiries that are now in progress at the House of Commons, this inquiry is certainly the most important of all, because its purpose is to study carefully and learn the real problems of our citizens. When I say "citizens" I mean both western and eastern citizens of this country. But with the coming Centennial celebration, there is no doubt about what you said about getting in the tourists; there is no doubt that we are also very much interested for you know that 1967 will be the year of Expo and we want people to come from all over the country. And if you in the western part have no way to get there your citizens will be in very serious difficulty; there is no doubt about that. As you say, we want to set a good example between western and eastern people. We are all Canadian, and we want to co-operate.

As a member I would say I was personally shocked to hear of this decision, but in your brief you do not really seem to stress the point very firmly. Do you, or do you not think that it was proper for the CPR to take off the "Dominion"? You seemed to be satisfied at the beginning, and you are not very different in the middle and then at the end you depend on the guarantee of the service that the "Canadian" will give. Do you really think, as a representative, that the "Canadian" service will give you exactly what the population wants? This is my main question. Do you really believe, with what has happened now, that in the future only the "Canadian" will really give you satisfaction?

Mr. BRAZIER: Sir, I think that our general feeling here is that the service rendered by the "Canadian", if it is expanded by the railway company to handle the additional traffic that will undoubtedly be available during the summer months, will suffice in place of the service rendered previously by the "Dominion". This is something which, of course, is very hard to judge, and before the Board of Transport we suggested, that the CPR should run a second section to the "Canadian", in effect, having two "Canadians" running at one time, in order to serve the traffic at that peak period of the year. I think that graph shows very well the tremendous impact of the tourist traffic during those two to three months, from June 15 through until September 15, and on the "Dominion" over one third of their traffic was right in that brief period of time each year. That is the main problem, as we see it for rail passenger service today, serving that period of time and ensuring that the public will have proper service.

Mr. BOULANGER: Sir, if that period of time for you is the heart of all your argument, if we can put it that way, what about the service for the balance of the year? Are you not a little afraid that the "Canadian"—

Mr. BRAZIER: Yes, I am satisfied that the "Canadian" can give the necessary service during the rest of the year.

Mr. BOULANGER: That is all, thank you.

The CHAIRMAN: I must point out to Members that we did have a motion last time about 10 minute questioning, and I am going to abide by that very strictly, especially with the number of briefs that we are hearing on this trip.

Mr. FAWCETT: Mr. Chairman, I will not take ten minutes. My questions will be very brief. I would like to thank counsel for the brief on behalf of the British Columbia government. There are only two or three things I wish to touch on. I noticed one statement and I do not have a copy of the brief; I just took this down as Mr. Brazier was reading it. It says: "British Columbia will oppose further withdrawal, whether profitable or not."

Tied in with this, is a statement that you feel that non-rail income should cover the cost of non-profitable passenger services if the services are required. Am I putting this together right?

Mr. BRAZIER: Yes, that is right, Mr. Fawcett.

Mr. FAWCETT: Would you say that the Government of Canada should provide a subsidy in order that the required services are provided, if there is no other solution to covering the cost of this so-called non-profitable enterprise?

Mr. BRAZIER: I would certainly agree with that. If it is beyond the capacity of the railway company to offer what is an essential public service, then it has always been the feeling of the government of British Columbia that it could be provided from the National Treasury.

Mr. FAWCETT: I noticed another statement, something to the effect that the passenger traffic is dwindling. I am only going to make an observation on this and I think that the last report of the Canadian National Railways shows an increase of 14 per cent in passenger traffic in the past year owing to their taking a different look at handling passenger traffic. I was wondering if you were aware of that, Mr. Brazier?

Mr. BRAZIER: I have seen figures that indicate what their volume is. I am not sure whether their profits are increasing or not, but certainly the volume they are handling is.

Mr. FAWCETT: Those are the only points that I wanted to make.

Mr. CARTER: I have two or three question on the brief, Mr. Chairman, but before I go to these, I would like to ask Mr. Brazier, if he might expand his replies to Mr. Boulanger. I understood Mr. Boulanger to say that he felt that an expanded "Canadian" might be satisfactory to take care of the provincial interest, and you spoke of two sections. Now, when you say that, do you have in mind two separate schedules, or just one schedule but more cars on it?

Mr. BRAZIER: I am not too familiar with the railway practice in running a second section. I think they run them something like 30 minutes apart, one behind the other, and that is what I had in mind.

Mr. CARTER: You have only one train. You do not want two trains a day. You do not want an increased schedule?

Mr. BRAZIER: No sir.

Mr. CARTER: I think the CPR officials told us, when they tried out this experiment that one of the difficulties they ran into was that they had on this train some modern cars of very high quality, but they did not have enough of these, and then they had some of the "Dominion" cars which were not quite so modern, and the passengers were complaining because they paid the same fare. Some got a good bed in a modern car. Others got a poorer bed in an obsolete car, and there was general dissatisfaction on that score. Would you then suggest that the CPR should go to the expense of getting more cars up to the "Canadian" standard to provide this extra service?

Mr. BRAZIER: Sir, my own immediate reaction to it is that probably the railway should adopt a differential pricing of the two types of accommodation that they are able to give. The trend today does not indicate or justify, I think, additional capital expenditures on passenger equipment. Now, this may change in future as the population of Canada grows, but that would be my own reaction now, that the way the railways could properly handle that is by having a differential pricing for the first-class equipment, and a different price, slightly lower, for the lower.

Mr. CARTER: Of the same thing?

Mr. BRAZIER: Yes.

Mr. CARTER: On page 1, you quote the stand that you took, or your province took, before the recent meeting of the Board of Transport Commissioners, and that stand seems to me to indicate that your province would be willing to accept the board's decision, whatever it was—provided that the board is satisfied after a thorough study, that the continuation is both unremunerative and not required in the public interest. You would accept whatever the board decides. Is that a correct interpretation?

Mr. BRAZIER: No, I would not agree with that. I would say this. We would quite willingly accept the final judicial decision—whatever body gives the final judicial decision on this particular point. And the Province of British Columbia

has in fact, filed a petition in appeal to the Privy Council of Canada against the judgment of the board. We do not agree with the judgment of the board, but that petition has been filed and is now pending. Now, if the committee of the Privy Council dismiss the petition, we accept that as the final say in the matter.

Mr. CARTER: The reason I asked that question, is that later on you indicate that your province would not tolerate any further abandonment whatsoever which seemed to indicate you had either changed your stand or the two statements were contradictory.

Mr. BRAZIER: I was attempting there, Mr. Carter, to emphasize as strongly as I could the very strong opposition which we would make if they attempted to abandon all passenger service.

Mr. CARTER: On page 5, you state:

We hope that this Committee will recommend to Parliament a limit beyond which rail passenger services may not be reduced.

I was wondering if you could elaborate on that a bit and assist the Committee as to the terms in which you think this limit could be defined.

Mr. BRAZIER: I would think, sir, that that would depend—it may be different in different parts of Canada. I certainly think the limit has now been reached in British Columbia; when you are down to one train, that is the limit beyond which you cannot go. I am not sufficiently familiar with the situation, for instance, between Montreal and Toronto, or Montreal and Ottawa, or Quebec city to say what the limit should be, but certainly there should be a minimum service required in every area.

Mr. CARTER: I gather from what you say that you are thinking of trains per week, or trains per day; the number of trains?

Mr. BRAZIER: That is right, the service rendered to the public for their travel.

Mr. CARTER: My other two questions, Mr. Chairman, are to you. The brief makes reference to non-rail income. Do our terms of reference authorize us to inquire into non-rail income? Can we get statistics on that?

The CHAIRMAN: No, Mr. Carter. This has come up in many meetings of this Committee, but we cannot go into the freight income, or freight cost, or non-rail income of the CPR. However, there has been tabled in the House of Commons, and furnished to each member of this Committee, a copy of all reports tabled with the Securities Commission in Washington. Also the annual report of the Canadian Pacific Railway does show the non-rail income of the company, if you are interested in figures, but in this particular hearing, I cannot allow you to go into that question.

Mr. CARTER: No, I do not want to go into it. I was just wondering, when we get our cost analysis personnel, whether they would be empowered by our terms of reference to investigate the non-rail incomes?

The CHAIRMAN: Not by our terms of reference.

Mr. OLSON: Mr. Chairman, I would like to make one point here. I think it is fair to say that some of the members of the Committee, as well as some of the

representations that we have received, and again from the province of British Columbia this morning, are to the effect that some of the grants and concessions that are contained in the contract of 1880, are in fact, an important part, or involved in the terms of reference that we have. I would not like anyone to suggest that we are not able to discuss this contract and some of the revenue and assets that the Canadian Pacific Railway hold now, because of these grants and concessions.

The CHAIRMAN: No, there have been no restrictions in discussing the contracts. We have done that on previous meetings with previous witnesses.

Mr. OLSON: But the non-rail income involved in some of the areas such as Canadian Pacific Investments, Marathon Realty and so on—

The CHAIRMAN: The information is already before this Committee, and will be gone into by the Committee and by witnesses. Unless I misinterpreted Mr. Carter's question, I am considering a question that has come before this Committee previously, namely, freight income and movement of grain.

Mr. OLSON: I am sorry, I heard him say non-rail?

Mr. CARTER: Non-rail income; perhaps we should ask Mr. Brazier?

The CHAIRMAN: Mr. Carter, then I have misinterpreted your question; you are absolutely right. That information is right now before the Committee and has been gone into by the Committee, and it will come up at other meetings.

Mr. CARTER: It can be looked into then.

The CHAIRMAN: Yes. I apologize to you, Mr. Carter. This grain movement has been a factor in my mind for quite some time, and I have been correlating it with that problem that has come before us.

Mr. CARTER: That would be non-rail income.

The CHAIRMAN: I am sorry, I was wrong in that.

Mr. CARTER: The only other question I wanted to ask you, Mr. Chairman, is this: If we do not already have it, would we get an extension of the graph that is referred to here. This graph goes up only to July.

The CHAIRMAN: I might ask Mr. Brazier whether it is possible to get that graph completed.

Mr. CARTER: We could get it from the CPR.

Mr. BRAZIER: Mr. Chairman, I have Mr. Glover, of the Bureau of Economics in Victoria with me here this morning, and I asked him in the last few days if he could get the necessary information to complete the graph. We have not got it immediately available, but I would imagine that the CPR could supply that.

The CHAIRMAN: I would say to Mr. Carter, I just asked Mr. Brazier in case he had these figures and this was not complete at the time. The CPR, when they appeared before the Committee, did undertake at that time to provide us with all their cost figures and we can have this graph completed, and other graphs completed when we return to Ottawa.

Mr. O'KEEFE: Just a short supplementary question Mr. Chairman. It was suggested in this brief, that the main bone of contention now is "further reduction of services". Is there any indication of such reduction?

The CHAIRMAN: Just a moment, Mr. O'Keefe, you will have to wait your turn. That is a new question altogether; it is not supplementary to Mr. Carter. So I will call on Mr. Olson.

Mr. OLSON: Thank you, Mr. Chairman. Mr. Brazier, in your opening remarks, I think you gave us some outline of the length of time that you had been counsel for the B.C. government in matters related to railway services.

Mr. BRAZIER: Yes, since 1947.

Mr. OLSON: You would probably be familiar with some of the provisions of the contract between the Government or the Parliament of Canada and the Canadian Pacific Railway Company in 1880 and 1881?

Mr. BRAZIER: I would say this, Mr. Olson. I was at one time. It is a few years ago now since I really directed my mind particularly to that particular subject. I remember it was a very live issue in the first royal commission back in 1950.

Mr. OLSON: Yes; I just asked you that because I wanted to talk about it a little bit since you have referred to it in three or four places in your brief. Firstly, Mr. Brazier, you say that until the terms of the contract are revised by mutual consent, the company is required to carry out its obligations. Do you believe that this obligation includes passenger service?

Mr. BRAZIER: I do.

Mr. OLSON: You will realize, no doubt, that the railway company on several occasions before the Board of Transport Commissioners and before this Committee has claimed that the land and grants given under the contract were for the purposes of building the railway. You do not agree with that?

Mr. BRAZIER: As I recall the phrase was "construction and operation" of the railway, in some of the grants anyway.

Mr. OLSON: But on the main line—I think to Port Moody is what is written in the contract—where it says they shall provide or efficiently maintain or words to that effect, railway service forever in perpetuity and so on. This in your interpretation, includes railway passenger service.

Mr. BRAZIER: Yes.

Mr. OLSON: I take it then that you think there ought to be an agreement—you use the words "mutual consent"—before the railway company is relieved of this obligation?

Mr. BRAZIER: Yes; I think if this is the way the CPR feels about it they should make a direct application to the Parliament of Canada to be excused from that part of their contract, and, if Parliament saw fit to do so, we would have to accept it; but what we do object to is, as I have tried to express it "whittling away in a piecemeal fashion", so that you end up with very little of the obligation on their part still in operation.

The CHAIRMAN: Excuse me, Mr. Olson, the Chair might ask a supplementary question, if you will allow me. It is not very often that the Chair asks a question, but this interests me because the Committee is concerned with respect to legal opinions on the terms of this contract. Mr. Brazier as counsel for

the government of British Columbia, may I assume from your presentation here, it is your legal opinion that as far as the contract entered into by the Canadian Pacific Railway with the Government of Canada is concerned, it is a binding legal contract that can be pursued, say, in the courts?

Mr. BRAZIER: Yes, that would be my own personal opinion.

Mr. OLSON: Do you know of any time, Mr. Brazier, when the CPR have claimed that this contract is no longer valid or binding?

Mr. BRAZIER: Offhand, Mr. Olson, I cannot say.

Mr. OLSON: I would like to draw this to your attention. I think you have attended many Board of Transport Commissioner hearings, and my understanding is that they are reluctant to have an argument develop on the basis of this contract?

Mr. BRAZIER: I think I could agree with you there, but I do not ever recall—

Mr. OLSON: But the CPR have never denied the validity of the contract, even into this year?

Mr. BRAZIER: Not to my knowledge, no.

Mr. OLSON: Would the government of British Columbia support or think it a wise move to test this contract in the Supreme Court of Canada, for example?

Mr. BRAZIER: I hesitate to speak for the government on a major matter such as that, Mr. Olson. It would be a very major decision for them to make.

Mr. OLSON: I only have a few minutes left, Mr. Brazier, so I am going to leave this and come back to it a little later. I would like to ask you about this matter of non-rail income. You say that the CPR's brief did not deal adequately with non-rail income, and I think you go on to suggest that there could be some of this non-rail income used to maintain service, including passenger service, if it was in the public interest to do so?

Mr. BRAZIER: Right.

Mr. OLSON: Would you suggest that the Canadian Pacific Railway Company should use some of this non-rail income before they ask for a federal government subsidy, for a specific service, such as passenger service?

Mr. BRAZIER: I think that that would be my general reaction to it. It is certainly something that should be taken into consideration when any application is made to the government for a subsidy for passenger service in the national interest. The cost to the railway company would be such that it would be unreasonable to ask them to bear the full burden of it themselves.

Mr. OLSON: I was wondering how far into this non-rail revenue could we as public servants expect the company to go before they ask for other government subsidies?

Mr. BRAZIER: That is a matter of pure judgment I think of the authority of the time.

Mr. OLSON: Have you or your government considered this?

Mr. BRAZIER: No, we have not, Mr. Olson.

Mr. OLSON: But you do think that they had an obligation to use some of it.

Mr. BRAZIER: Yes.

Mr. OLSON: I notice that you are particularly concerned about the summer service, as far as the train known as the "Dominion" is concerned. For the adequacy of service for British Columbia, do you think that two trains a day would be required during the summer season and that one train a day for the other months would be adequate?

Mr. BRAZIER: The figures indicate that that is so, Mr. Olson.

Mr. OLSON: I would like to ask you now if you are considering only the movement of persons, when you talk about these passenger trains and the adequacy of them for these two months, and for the other ten months?

Mr. BRAZIER: Yes, we are thinking only of the passengers.

Mr. OLSON: Did the removal or the loss of the so-called head-end traffic have any adverse effects on British Columbia?

Mr. BRAZIER: I do not think so, and as far as I am aware that is handled also on freight trains now, where it is convenient to do so.

Mr. OLSON: Is there any local delivery service at any of the points other than Vancouver, in the whole province of British Columbia for this kind of service?

Mr. BRAZIER: I am not sure just how extensive the merchandising service of the CPR is at the present time. We certainly see a great flow of their trucks on the island and through the mainland; how far into the interior they go, I am not positive, Mr. Olson.

Mr. OLSON: On page 5 of your brief, you say:

The fact is that the Canadian Pacific Railway has no plans for its passenger services other than to continue to discontinue all services which do not meet variable costs.

Do you accept the CPR's statements of variable costs? Firstly, I suppose I should ask you, Mr. Brazier, if you have done a study of the so-called variable costs that the CPR claim, particularly of the "Dominion", but for passenger service generally?

Mr. BRAZIER: All I can say is that when the application was before the Board of Transport for the discontinuance of the Kettle Valley line in British Columbia, which is the line through the southern part of British Columbia, we did investigate the cost figures presented by the CPR at that time; and while we are not in any position to check them in detail, we were satisfied in that case that they were of such a magnitude that we could not reasonably say that they were not meeting their variable costs. The loss was fairly substantial in that particular line. We have not the facilities, in British Columbia, to check in detail the costs, and we must rely on the Board of Transport Commissioners and their staff to make that sort of investigation.

Mr. OLSON: You are familiar with some cost analyses that were done for the other governments for the MacPherson Royal Commission?

Mr. BRAZIER: Yes, yes, I am.

Mr. OLSON: You have not done that kind of a cost analysis or even made a cursory attempt.

Mr. BRAZIER: No, we have not.

Mr. OLSON: I would like to ask your opinion before we leave this matter of costs. Even though you may not have done a study, would you like to give us your opinion on whether you think these variable costs for passenger train service are reasonable, bearing in mind what happened to the variable costs advanced for grain and so on in 1958?

Mr. BRAZIER: Frankly, I think that the passenger costs in the past have been in quite a different category from grain, and it amazed me over a number of years that the management of the CPR did not recognize the fact before it did. I had the privilege in the 1950 royal commission under the chairmanship of Mr. Justice Turgeon, of presenting the case on the part of the British Columbia, and part of that case consisted of a suggestion that freight rates and rail rates generally should be based more on costs than they had been in the past. The suggestion was considered by the royal commission and dismissed in about half a page. Some years later, I had the pleasure of meeting with Mr. Justice Turgeon again on another occasion, and he suggested that he had done some more reading in the meantime, and we had better not drop the idea, because sooner or later this is what the railways would have to come to, basing their rates more on costs than it had been their practice in the past. I think I can say that British Columbia has been the leader in the adoption of the costing system, not in the details of it, but we clearly believe that freight rates should be based as near as possible on the cost of carrying the freight.

Mr. OLSON: When we come to these costs, for example, for passenger service, do you think that the public is more interested in the costs that could be saved, or these allocated costs that are called variable costs? For example, if costs are to continue, road maintenance and other things are going to continue, as part of the company's over-all operations, do you think it is fair to charge this up to passenger trains?

Mr. BRAZIER: No; but I do think that the railway must possibly maintain, say its roadbed, to a higher standard to handle fast passenger trains, than it would if it just handled freight. I think that it is possible to show what the additional cost would be. I think it should only be the additional cost.

Mr. OLSON: Mr. Chairman, I have many more questions so when my time is up you will just have to stop me.

Mr. BOULANGER: May I ask a supplementary question Mr. Chairman?

The CHAIRMAN: Excuse me, Mr. Boulanger. I have allowed you the extra time and I had to interrupt, Mr. Olson: I will come back to you on the rotation.

Mr. OLSON: You will put my name down again?

Mr. BOULANGER: I have a supplementary, but I think that it can wait.

The CHAIRMAN: Yes. I will have you down again Mr. Boulanger. There are a number of people to question, and I will have you down for rotation.

Mr. ANDRAS: Mr. Brazier, in your brief I believe on page 2 you use the phrase "the untold bounty from this province. It must now and for all time in

the foreseeable future be made abundantly clear to the CPR (which has received untold bounty from this province) that future abandonments cannot and will not be permitted." Is this a general phrase related to the British Columbia share of the 1880 grant or are there any other specifics?

Mr. BRAZIER: The other specific one which, of course, has been very valuable to the CPR was the Esquimalt-Nanaimo land grant of timberlands on Vancouver island, which they acquired at a subsequent time, when they acquired control of the Esquimalt and Nanaimo railway. This was at a later period. I think, the CPR record should show that as being one of the better investments that they had.

Mr. ANDRAS: What has come about as a result of that grant to the CPR?

Mr. BRAZIER: I think very substantial results. I do not have the details of the figure, but in 1945, Mr. Justice Sloan of this province, who was later the Chief Justice, held a forestry inquiry, a royal commission on forestry in this province, and in his report he advocated that the provincial government should make arrangements to buy this back from the CPR. At that time the figure mentioned was \$108 million. That was not done, and the company has continued to dispose of those lands from time to time.

Mr. ANDRAS: This was an outright grant when it was first released to the railway.

Mr. BRAZIER: Yes, but it was not originally to the CPR; it was to the Esquimalt and Nanaimo railway.

Mr. ANDRAS: And \$108 million was the possible value in 1945.

Mr. BRAZIER: Yes. Considerable sales had been made prior to that date. That grant was made back in the year 1886 or 1887, and a considerable part of the land had been disposed of in the meantime. Of course, the other thing we always look at in this province is the operation of the Consolidated Mining and Smelting which for many years was centered in British Columbia. Their operations are now in other parts of Canada, too. But again, it has been a very profitable investment for the Canadian Pacific Railway.

Mr. ANDRAS: To sum up, Mr. Brazier, the untold bounty which the CPR received from this province, consisted of many things over and above the federal grant which was given to entice the Canadian Pacific Railway principals to put the railway through. The provincial grants over and above that are of very considerable value.

Mr. BRAZIER: The E. & N. being the principal one.

The CHAIRMAN: Excuse me, Mr. Andras, would you speak into the mike or move this No. 5 mike closer please. They are having difficulty picking it up on the tape.

Mr. ANDRAS: The Canadian Pacific Railway, Mr. Brazier, particularly Mr. Sinclair in his statements to us in Ottawa, has made quite a point about not continuing passenger train service beyond, as they term it "effective demand" which is quite a contentious point of definition. Let us assume that this meant to all of us, beyond a point where it was demonstrable that it was still being used by a lot of people, as a misallocation of resources. You were very forceful in

saying that "as far as the British Columbia Government is concerned, they might go along with the abandonment of the "Dominion" but now is the time to stop the music as it were and no more attacks on the "Canadian". What is your reaction to the use of this phrase "the misallocation of Canadian resources". In other words, we are keeping something going which in the eyes of the CPR and management, is out of date and generally useless to the country, and yet many people across this country are saying, "no more abandonment of transcontinental trains".

Mr. BRAZIER: I think the phrase is a very general one, and it should be applied in a very broad sense. We have to admit that a great percentage of the passenger traffic in Canada today is carried by private automobile; there is no doubt about that, and you might say that buses are not necessary. The percentage of traffic handled by air lines in some areas is very minute, but it is an essential service. There must be some service rendered. I say that there must be some rail passenger service available to Canadians.

Mr. ANDRAS: Even with technological progress, as it is today, being very rapid, do you honestly ever foresee the day when a transcontinental passenger train service might be completely outmoded.

Mr. BRAZIER: No I do not.

Mr. ANDRAS: In other words, in the foreseeable future, considering all technological progress as we know it now, do you still think this would be a permanent requirement in this country?

Mr. BRAZIER: I would, yes.

Mr. ANDRAS: Mr. Fawcett and Mr. Olson have both come back to this question of who pays for the deficit, if in fact there is a deficit, on the operation of the passenger service. Incidentally, I was interested, Mr. Fraser, to read yesterday in *Time* magazine on the train coming up, the story of the merger of the Pennsylvania Railroad and the New York Central. It referred to some executives of those railways in the late 1880's who took a very dim view of having to handle passenger service because it was unprofitable, apparently to all railways, and yet they have always had to handle it. In fact, in this merger, they had to accept the small passenger service line in order to get the merger through.

I do not know exactly where you stand in the matter of operating deficits on the passenger train service. Who pays for it? Should it come out of the other income and profit of the Canadian Pacific Railway, in the broad sense, including Canadian Pacific Airlines and all the subsidiaries of Canadian Pacific investments and so on? I took it from your brief that you were not shooting at any government subsidy on that and yet, in the subsequent questioning, you seemed to back away a little bit and say, "Well, the CPR should not be forced to bear all this deficit out of other income and the government should be required to put up something out of the public purse.

Mr. BRAZIER: Where is the line?

Mr. ANDRAS: Where is your main emphasis? Is it as stated in the brief which makes no reference to a government subsidy but suggests that it should be borne out of the other income of the CPR.

Mr. BRAZIER: I am in no position to be very definite about this. It has always been my thinking that if the CPR eliminated the passenger service we are really giving them a loss in their operation. They got down to a basic minimum that they would not prove to be unprofitable, or unprofitable to any extent. Now, this may not be so. The cost of maintaining even a minimum may prove to be such that it would not be proper to ask the company to bear the full burden of it. I think it is just a matter of—

Mr. ANDRAS: I think it is just a matter of deficit, on passenger service and somebody correct me if I am wrong; last year the figure was around \$24 million. This is passenger deficit. I believe this is close enough. You consider that a figure which should be borne by the other operating revenue of the Canadian Pacific Railway and its total corporate structure, or is that a figure which you say should be a shared cost, or what?

Mr. BRAZIER: In my opinion that is a question that the Company should be asked.

Mr. ANDRAS: In the total operations they come out with a reasonable profit. Would you say that the Canadian Pacific Railway, because of all these 1881 agreements, and many other public domain factors involved which benefited them, should be operating on a total over-all return on investment, approved by the Government? In other words, if it were eight percent or ten percent, or something like that, as long as the total net return on their total investment stayed at this, we could not care less whether it came from one or the other, and the rail passenger deficit should be borne within that total.

Mr. BRAZIER: We would much rather in British Columbia—we are quite frank—see them reduce their freight rates from this part of Canada rather than charge the over-all company profit to a substantial passenger loss.

Mr. ANDRAS: So you would say then, if it came to that you would get rid of the passenger train or carry the deficit by a public subsidy, but above all protect your competitive position on freight rates? This is your number one priority, is it not?

Mr. BRAZIER: It is. We are, by the geography of Canada, some distance from the main Canadian market and we have to bear heavy transportation costs to get our goods to the main Canadian markets.

Mr. ANDRAS: We feel very much that way in the centre of Canada where I come from. One last question: in this area of the "Dominion" maybe, the "Canadian" never, approach that you are taking here, would you go so far as to go along with the idea that the authority for any further abandonment of transcontinental trains or sections thereof be removed from the Board of Transport Commissioners and placed specifically under the control of Parliament itself.

Mr. BRAZIER: I would think it rather difficult to make an exception from the Railway Act. There is still the protection of the appeal from the Board of Transport to the government of the day, the Privy Council, and my own feeling is that that should be sufficient protection.

Mr. ANDRAS: And with an eye on public opinion to caution any movement to abandon the "Canadian"? Thank you very much, Mr. Chairman.

Mr. ROCK: Mr. Brazier, you more or less agreed that where there is a large passenger deficit, like the \$24 million deficit, it is not right that this be borne by the freight rates. In other words, in this case here, if you were to abandon the passenger service, there would not be this deficit and, therefore, they can lower also the freight rates throughout Canada. This is indirectly what I understand has come out of your thoughts.

Mr. BRAZIER: I did not understand it that way.

Mr. ROCK: Well, I did.

Not that I am criticizing you in any manner; I am just building up a point. The British Columbia government owns a railroad company, I understand.

Mr. BRAZIER: That is right. We have the Pacific Great Eastern Railway.

Mr. ROCK: How do their rates compare with CN and CP, both passenger and freight? Are they comparable?

Mr. BRAZIER: Most of the traffic of the Pacific Great Eastern would go on the same rates as the transcontinental, CPR or CNR because it is just originating traffic moving off onto joint rates with the others.

Mr. ROCK: Does your company make a profit or a loss at the end of the year?

Mr. BRAZIER: I have forgotten what the result was this last year. I could say it is marginal but I would also point out to you that the PGE does not receive any federal subsidy. I have forgotten how much the two continental railways received last year from the Government of Canada but it was a substantial amount. We do not share in those subsidies.

Mr. ROCK: Does your railway system run on the same type of speeds, schedules; in other words, are your trains built in the same way as the CP and CN?

Mr. BRAZIER: Yes.

Mr. ROCK: You have been concerned with the railway companies for quite a number of years I understand, and you have mentioned in your brief that a competitive force alters trend habits which results in a betterment of many of the lines. You also mentioned that the terms of the contract is to effectively operate the railways. Do you feel that the CP and even the CN have kept up with the times and the competition, by this I mean, technically speaking? You have mentioned that people have altered their trends of habit by taking to the air. Why do they take to the air? It must be because of the speed. Do you feel that the railway companies have ever made an attempt to have their trains run one third faster, two thirds faster or a hundred percent faster, say 120 miles per hour rather than the 60 mile an hour average that they make today.

Mr. BRAZIER: I do not know what the limit would be for Canadian trains, but I think since the end of the war both the Canadian railways have advanced with the times, maybe not as quickly as some of us would have liked but we have to bear in mind that Canada is not quite as populated a country as the United States is, and they can adopt advances sooner than we can in this country. On the whole, I think we would say that the Canadian railways have served Canada well.

Mr. ROCK: Possibly have served Canada well, but I will come back to the question.

The CHAIRMAN: Mr. Rock, you are asking the witness a question whether they are updating their equipment with the speeds required today. I think you referred to the United Aircraft.

Mr. ROCK: I am not concerned with the United Aircraft people at all. What I would like to know is what is his opinion of the job that the railroads have done in the past in bettering service, more speed, modern equipment, because I feel that, even if they purchased modern equipment, they have never made the trains go faster. They have changed from steam engine to diesel, but the trains are doing the same amount of speed. The only time they have given more efficient service is when they have cancelled stops all along, and because they cancelled that stop, and saved ten minutes here and ten minutes there, the train got from one destination to another faster. This is about the only thing they have done in modernization of the system in regard to speed. I would like to know your opinion on this since your province does own a railroad company also. Have they just followed the same trend as every railroad company across the United States and Canada?

Mr. BRAZIER: You are speaking of the provincial railway?

Mr. ROCK: The provincial yes. Have they just followed the same type of trend as the other railroads in North America, let us say?

Mr. BRAZIER: I would say that the trend is the same as in every other railway. It might not be quite up to them at every stage but the trend is there. I would think that there has been a considerable improvement in the speed and service of the railways in the past twenty years.

Mr. ROCK: Do you mean by that, that in the past a train used to do only forty miles an hour and now it is doing sixty, or is this just by regulating the train stops?

Mr. BRAZIER: I have to go away back in my memory now, but at one time I seem to remember figures of about twenty miles an hour for freight trains and then they got up to thirty miles an hour and they are generally improving.

Mr. ROCK: Do you feel that the competition between air traffic and rail traffic—and the CN and CP are both in air traffic also—is such that they are not doing their proper job in trying to maintain efficient service in the railway passenger field?

Mr. BRAZIER: That would not be my opinion.

Mr. ROCK: You would not think for instance that because they are in the other competitive line they may have a planned effort to abandon the rail passenger service in the future?

The CHAIRMAN: Pardon me, Mr. Rock, I think you said that the CN was in the air business?

Mr. ROCK: Both. CPR also is on the west coast here.

The CHAIRMAN: CN is in the air business? I believe that is what you said.

Mr. ROCK: Yes, Air Canada—that is CN.

The CHAIRMAN: But they are two separate crown agencies. I would not say that it is one company.

Mr. ROCK: Their obligations are all backed by the CN and the directors are practically the same too, so as far as I am concerned, Air Canada and CN are the same company.

The CHAIRMAN: Do you have a question on it, Mr. Rock?

Mr. ROCK: Did I not end up with a question?

The CHAIRMAN: I assume that you had a statement. If you have a question for Mr. Brazier, I think you should put it.

Mr. ROCK: I just wanted to ask Mr. Brazier whether he feels that—I think I put it in question form—possibly the CN and CP are not doing their proper duty to the passenger service lines because they are also in the air passenger service?

Mr. BRAZIER: I would say no, in my opinion. That is all I can express. Mr. Rock; it is my own opinion. Frankly, I would not think that it made any difference whether the air lines were run by associated companies or not.

Mr. ROCK: Suppose, now that the CP and CN did not have any shares in the aircraft passenger service, would you not think that they would have been on a better competitive service basis then to try to upgrade their service, possibly to try to bring out faster trains, technically speaking, faster passenger service throughout Canada? They are owners of the two businesses so they cannot leave one in favour of the other.

Mr. BRAZIER: Mr. Rock, I happen to be a director of an air line called the Pacific Western Air Lines. We operate a bus service called an air-bus service between Edmonton and Calgary which has been very successful and I think it is reflected in the substantial reduction in the railway passenger traffic between those two places. If the CPR and TCA or Air Canada, and CNR were not in the air line business, somebody else would be in it. They would have the same problem but just from a different source.

Mr. ROCK: This is my last question, Mr. Chairman, I am glad you brought that up because it fits right in. If a train today could do 120 or 140 miles an hour, would the competition be the same, or would then the people know that they could get to that same destination faster than they did in the past? Would you think the competition would remain the same or would the railways regain some of their passenger service if their speeds were twice as fast as they are today?

Mr. BRAZIER: These things are all relative, because if you are going to double the speed of your train, you have got to make very substantial capital investment in improving your roadbed, in order to safely travel the fast train.

Mr. ROCK: Not necessarily today according to some technical knowledge that has come out.

Mr. BRAZIER: Mr. Gordon, I think has just recently been in Japan and ridden on their very famous train between Tokyo and Osaka; maybe he would have some information on that when he comes back.

Mr. BELL (Saint John-Albert): Mr. Chairman, we jumped around over most of the points that I was going to bring up, but I would like to say at the

beginning that I think Mr. Brazier has been a very straightforward witness. We know of his experience and I certainly would agree with him, as one who comes from the other extremity of Canada, that any freight rate protection, certainly has to be separated from this passenger problem that we have. I am referring to the Maritime Freight Rate Act and no doubt westerners think of the Crowsnest Pass rates.

The point that I had in mind seems to be a general appreciation of company obligation under the 1880 Act, although, of course, there are differences of opinion, as to how far this obligation goes. I would take it Mr. Brazier, that you would quarrel with the statement that the CPR make in their brief on page 9. I will just quote from it:

"That the passenger train service program followed by the company has been in the best interests of the people of Canada and in faithful accord with the company's obligations to them."

You would not agree with the last part of that, and in that connection in your own brief, the brief of the province, on page 3 you mention that it might be possible to accept this obligation and perhaps change it by mutual consent. Now, would you expand that, and I am excepting from this the reference that might be made to the Supreme Court? You at one time said that it might be possible for the CPR to go to Parliament and in some way have this changed. Could you help us there with your experience?

Mr. BRAZIER: My thought, Mr. Bell, is simply this. If the statute as it now exists does impose an obligation on the company, it is an obligation to the people of Canada and if the railway company now thinks that the operation of passenger trains is no longer part of the railway operation, then I think that they should frankly go to Parliament and say now, "Conditions have changed since 1880. Passenger traffic is no longer part of our rail service and we are asking you therefore to exempt us, give us permission, not to carry passengers on our lines, because it is no longer part of the rail business. I had one case once before the Board of Transport Commissioners in respect to flax seed and the question was whether or not flax was grain and entitled to the Crowsnest Pass grain rates going out of the port of Vancouver. It had always been carried on the coal rates from the port of Fort William but not on the same rates to Vancouver. And the railways made quite a point at that time that the word had to be interpreted and as it was in 1897 when the Crowsnest agreement was made and that flax at that time was grain and therefore it still was. That was my argument. It was a grain then and it is still a grain. So I say that if you want to interpret the 1880 contract you have to look at what a railway was in 1880. And if you want to say today that a railway is something different, I think you should amend the act.

Mr. BELL (*Saint John-Albert*): There should be an amendment and perhaps this Committee could initiate it by way of the final recommendation of such a proposal.

Mr. BRAZIER: I would not say that.

Mr. BELL (*Saint John-Albert*): My second point Mr. Chairman is that we have to be responsible here and come up with some proposals. I was wondering

if Mr. Brazier had seen the suggestions of the locomotive engineers and I am not asking for any policy assessment of this proposal. I am just asking if in your experience you think that there might be some practical way that this could be brought about. They suggest, and I have it here but I will just paraphrase it, that in some way minimum passenger services be declared as necessary in the national interest and there be a rationalization authority. I think were their words. Perhaps like the Board of Transport Commissioners, there be a declaration between both railways of responsibility for the minimum passenger service in the form of a subsidy so that they both could reach for to maintain these services. Does that strike you as being practical, short of any full nationalization of the railways.

Mr. BRAZIER: Offhand, I would find it difficult to quarrel with that suggestion as some way of limiting the minimum, below which the railways cannot go.

Mr. BELL (*Saint John-Albert*): There is one other question, Mr. Chairman. I take it, that like many of us, you have worried from time to time about the actual losses of the CPR, as stated on its passenger service, perhaps to a different degree from the Board of Transport figures from time to time. I am wondering if you could help us in so far as these cost analysts are concerned. You may have heard that at the beginning of our session today we were hoping that we may be able to get independent analysts from the United States to assess the actual losses. Do you think that we are going to be successful in getting any assistance?

Mr. BRAZIER: Undoubtedly, this is a new technique that is just developing. I think the first time it was used extensively in railway matters, was in the MacPherson Royal Commission, when a costing study was made. Like any studies of that nature, there are a great many items which are just a question of judgment; but certainly the railways are today, because of the advent of the computer, able to cost things that they could not have done a few years ago. I think you can get a reasonable picture of the cost by modern methods.

Mr. BELL (*Saint John-Albert*): There is one final question. Do you think that any study of a royal commission nature on the obligations and assessment would help?

Mr. BRAZIER: This has been gone over so many times over the last 50 years. I think that the books are full of the literature on it. Personally I would not see any purpose of a further royal commission.

Mr. BELL (*Saint John-Albert*): But at the same time you feel though that there is some merit in the thought that a reference could be made to Parliament for amendments to the act.

Mr. BRAZIER: If that is what the railway company wishes. If they wish to be excused from operating passenger trains at all.

Mr. BELL (*Saint John-Albert*): In other words, at this point, if they desire to make any further reduction in what you have pointed out as the bare minimum service, to British Columbia for example, they should be able to make it.

Mr. BRAZIER: They should get the authority of Parliament for that.

Mr. BELL (*Saint John-Albert*): Thank you very much.

The CHAIRMAN: Just for the information of the Committee, I have Mr. Byrne, Mr. Saltzman Mr. Ballard, Mr. Pascoe, Mr. Southam, Mr. O'Keefe, Mr. Caron, Mr. MacEwan.

Mr. BYRNE: I will be very brief Mr. Chairman. I must say, Mr. Brazier, that your presentation is a very acceptable one from British Columbia; but perhaps maybe a little more pro company than the prairie provinces would have desired. On page 2 of your brief you say that there has been a pattern of abandonment of passenger service, and you have no objection provided that the abandonment will apply equally to all parts of Canada. Do you feel that there has been discrimination in some way, in respect of abandonment?

Mr. BRAZIER: We did feel several years ago, in view of the suggestions which we had made to the royal commission that there should be an abandonment of non-profit passenger lines. They were taking rather unfair advantage of us here in British Columbia in starting the program here. That is not the whole fact, but they did eliminate one of the major services in British Columbia which was the Kettle Valley which passed through your part of British Columbia, so that there has not been any rail passenger service in the southern part of the province of British Columbia since 1964. Two years and a half ago.

Mr. BYRNE: I gather from your statement you are of the opinion that the corporate company should use profits from other operations rather than freight operations to subsidize the rail passenger service where required. The CPR owns a major portion, that is, a majority of the shares of Consolidated Mining and Smelter Co. (COMINCO) which you mentioned earlier, which in turn, owns a public utility company and they manufacture fertilizer. Would it be fair that they should increase the price of fertilizer or the price of the services of the public utility to pay for these rail services.

Mr. BRAZIER: I would not certainly suggest that in any way, Mr. Byrne. It gets complicated when you have the company through its subsidiaries going out into other fields of endeavour; but I think that you would have to look at the revenue from Consolidated Mining strictly as the amount of dividends paid by that company to the CPR in any one year.

Mr. BYRNE: You said in reply to a question that Consolidated Mining and Smelting Co. was one of the Canadian Pacific Railways most profitable subsidiaries. The implication being that Consolidated was obtained through some grant or other. The Consolidated, that is COMINCO was taken over by share option during a period when the mining company was broke.

Mr. BRAZIER: Although that was simply a business investment of the Canadian Pacific Railway and I think they were trying to protect the freight traffic that originated from the old Trail Smelter before they took it off.

Mr. BYRNE: I am certainly inclined to agree with you because of our picture here in British Columbia with freight rates meaning such a great deal, but is it completely fair to say that because railroading after all is part of the 1880 agreement we should use some other corporate profit to subsidize another section of railway operation rather than the freight rate itself.

Mr. BRAZIER: It would certainly be difficult to look at a normally straight investment of the company's funds at the time but, for instance, here in the city of Vancouver, as you are aware, the CPR originally entered at Port Moody just ten or twelve miles out of the harbour and they were getting a substantial grant of land here, well what is a good part now of the city of Vancouver for bringing the line in from Port Moody to Vancouver. It was all connected in the rail; now those lands have been sold, the money has been invested and it is a question of judgment how much of that investment should now be credited back against the rail operation.

Mr. BYRNE: I have just one final question. You suggested the PGE does not receive subsidies. Is it not a fact that the two major Canadian railways were granted a subsidy in lieu of freight increases which were permitted under a ruling of the Board of Transport Commissioners which does not affect PGE. The PGE may still charge the rates which would be required to carry—

Mr. BRAZIER: Their rates are on an even keel with the reduced subsidized rates of the two national railways.

Mr. BYRNE: They are not affected directly.

Mr. BRAZIER: No, they are not controlled by the Board of Transport Commissioners.

Mr. BYRNE: That is all.

The CHAIRMAN: Did you say they are not controlled by the Board of Transport Commissioners? No. PGE is not subject to the jurisdiction of—

Mr. BRAZIER: No, it is wholly within the province of British Columbia.

The CHAIRMAN: Mr. Saltsman.

Mr. SALTSMAN: My question has been answered.

Mr. BALLARD: I am almost in the same position. I had one question left until Mr. Byrne started. I would like to ask Mr. Brazier a couple of questions. He referred to bounty to the CPR. Across the Prairie provinces the CPR took, I think it was the odd numbered sections of land about 20 miles back from the main land of the CPR under the 1880 agreement. Was this same type of land grant given to the CPR within the province of British Columbia under that agreement?

Mr. BRAZIER: I do not think it was under that particular agreement but the same sort of land grant was made. The province of British Columbia conveyed what was known as the railway belt to the Dominion Government who in turn used it for that purpose. The balance of the railway belt of land was returned to the province of British Columbia at about 1930. I hesitate to say more than that about it but there was a similar grant from the provincial government here. Our position was a little different because we had been a crown colony before joining Confederation.

Mr. BALLARD: In the prairie provinces, the railway right of way and all the facilities necessary to run a railway are exempt from provincial and municipal taxation. Is that the case in British Columbia as well?

Mr. BRAZIER: No: there are some exemptions, I believe, but it is not the general exemption that exists on the prairie provinces.

Mr. BOULANGER: There are some?

Mr. BRAZIER: There are some; there have been some. Whether they exist or not, I do not know. There were special contracts made at the time.

Mr. BALLARD: Now, under the 1880 agreement or the 1881 act it is specified that the company shall thereafter and forever efficiently maintain work and run the Canadian Pacific Railway. In trying to define whether the "Dominion" train should be cut off and even whether the "Canadian" should be cut off, how are we going to define efficiency. Is there any method of defining what is efficient running of a railway. Does this include the moving of goods or does it necessarily include the movement of passengers? Do you know of any method by which we can get a definition of how to interpret this word "efficiently"?

Mr. BRAZIER: I think that you would have to judge it along with the operation of other rail operations in existence at the time that you are looking at it. The only point I was making or attempting to make is that you can have a very efficient and yet unprofitable railway; the profitability and the efficiency do not necessarily run together, but I think it should be a question of seeing that the railway was using the same modern equipment that other railways were giving, running and giving the same sort of services and it would change as time goes by.

Mr. BALLARD: In other words, you are saying that efficiency is not necessarily tied to economics. I was interested to hear you say that you have made several submissions to the Board of Transport Commissioners.

The CHAIRMAN: Excuse me, Mr. Ballard, I wonder if you could turn around just a little, your voice can be picked up by this microphone here, and I think the reporter is having a difficult time hearing you.

Mr. BALLARD: I am sorry; I was deliberately talking the other way, Mr. Brazier, in order to talk into the microphone. I was not trying to do anything else. I was interested, Mr. Brazier, to find that you had made several submissions to the Board of Transport Commissioners over the years, and I was wondering, in your opinion, did you consider that the decisions made by the Board of Transport Commissioners were fair and equitable, or does this put you on the spot?

Mr. BRAZIER: I have recommended and taken appeals to the Privy Council against the board. As a lawyer, provided I have a right of appeal, I accept the judgment of the lower court. I have no hesitation in saying that I think their decisions were fair; whether they were right or wrong on the facts presented to them, is a different question.

Mr. BALLARD: Would you say that they were impartial?

Mr. BRAZIER: Yes, there was never any suggestion in my mind of partiality to the railways as against the general public that we were purporting to represent.

Mr. BALLARD: Do you think, sir, that part of our problems with the railway—and this has been suggested to me by a member of the Committee recently—operations in Canada is the fact that the provincial and federal governments have more or less subsidized other means of transportation and

other means of moving goods? By that I mean that the provincial and federal governments have provided road beds for buses and freight haulers, and in this way, probably have accentuated the problems of the two railways.

Mr. BRAZIER: Speaking just on the road question, any studies I have seen would indicate that the provincial road taxes, which are collected, are sufficient to cover the cost of the road beds that are being provided. That, of course, has to take in both the passenger cars and the trucks; but I have never been convinced that there is any great subsidy granted to road transport by the provision of the roads.

Mr. PASCOE: There is a great interest in this brief which is very well prepared, but we all have pretty well the same questions and there is no use repeating them. I was going to follow up this 1880 contract, but I think it has been pretty well covered, except that there is one point where you said "revised by mutual consent". I imagine you mean between the railways and the federal government. Do you consider that the provincial government should be consulted in this also.

Mr. BRAZIER: Yes, we would hope that we would be able to express our views on it. I actually have in mind there between the railway company and the Parliament of Canada because it is an act of the Parliament of Canada, and I would certainly hope that we would give them an opportunity such as this to make their representations to the Committee.

Mr. PASCOE: You mean that the members of Parliament from the different provinces should speak their piece.

Mr. BRAZIER: That we would be permitted to make a presentation, as we are doing here today, to the committee to whom the bill would be referred.

Mr. PASCOE: On page 2, you say that the railways have taken upon themselves to initiate a general plan of abandonment of passenger service, and you use the plural "railways". I understood that the CNR were trying to encourage more passengers, so why did you say "railways".

Mr. BRAZIER: I do believe, as I read the Transport reports, the CNR also have abandoned some services. Now generally speaking, they may be promoting passenger traffic on their main line, but they still have abandoned services in certain parts of Canada.

Mr. PASCOE: You will agree that they are trying to encourage passenger service.

Mr. BRAZIER: Yes.

Mr. PASCOE: In one place you refer to Budd cars or rail liners. Do you think that system of more coaches on the "Canadian" or something of the nature of rail liners would help?

Mr. BRAZIER: Frankly, I do not think so in this province, and that is a very personal opinion.

Mr. PASCOE: You are speaking in this province?

Mr. BRAZIER: I would not care to express an opinion except in British Columbia myself.

Mr. PASCOE: I am quite interested in your chart here where you show a great increase for June, July and August. You refer to it pretty well as tourist traffic, but I think also, from evidence brought out, that the "Dominion" in the summer time increased what they call their consist. They have their sleeping cars and their dining cars, and so on, they reduced this to a certain extent later on. Would it be a fair expression of opinion to say that the increased consist helped to increase passenger traffic?

Mr. BRAZIER: My own judgment would be that it was complementary to it, but it was the passenger traffic that really increased the volume.

Mr. PASCOE: You do not think that cutting down the consist later on, as the CPR did, helped to reduce the passenger traffic.

Mr. BRAZIER: Yes; there were complaints about the "Dominion" and the manner in which it was operated in the off season; that the accommodation was very poor and not very appealing to the travelling public, and that in the long run, of course, must decrease the traffic that wishes to use it.

Mr. PASCOE: In the preparation of the brief would you be at all concerned to have any information on the difficulties in getting train reservations?

Mr. BRAZIER: We have heard rumours of this, particularly in the summer time; that there are difficulties in getting reservations for the day you want to travel. The tourist association here were not able to give us any specific information in respect of this, although they have heard and had complaints from time to time.

Mr. PASCOE: I just want to ask you one more question, and this might put you on the spot, I do not know. Do you consider that the CPR embarked on a deliberate policy of getting out of passenger service?

Mr. BRAZIER: I would not care to express an opinion on that.

Mr. PASCOE: That is my last question then.

Mr. SOUTHAM: Thank you, Mr. Chairman. I would like to join with my friends, Mr. Bell and Mr. Byrne in complimenting Mr. Brazier for his very comprehensive brief and his frank answers. I might also say that most of the questions that have been tabulated here have been asked and answered, but one of the things that I would be most interested in, from listening to witnesses in these hearings, would be a discussion regarding cost accounting. Mr. Bell mentioned this, and Mr. Olson. The CPR have been referring to what they call a "regression analysis system" which is pretty complicated, and sometimes the means justifies the end in this respect. Would you like to say, Mr. Brazier, that you have had some doubts in your mind as to the economic conclusions reached by the CPR in coming up with figures that would indicate that they should decrease their services, or are you in agreement with the action the Committee is taking in calling in independent cost accounting experts to more or less make a check on these figures.

Mr. BRAZIER: I am a great believer that there should be a check made on it.

Mr. SOUTHAM: I am glad to hear you say that, because this is one of the fields in which the arguments have been—I think the important field—revolving around. Now, I would like to come back to a point that Mr. Pascoe raised. I

know it is embarrassing but we also have heard a great deal of discussion in this respect, and my comment here is "heavy criticism has been directed by many witnesses to the effect that the CPR is apparently planning, or putting into effect a policy of diminishing of services or planned out in their passenger service to purposely discourage customer patronage." This has been brought to us time and time again. The CPR of course, vehemently denies this practice. I was going to ask you, have you any observations to make in this respect, or have you any concrete evidence to this effect here in British Columbia, because it is a crucial point in this whole list of hearings that we have had.

MR. BRAZIER: I cannot go beyond what I have already said. I think sir, that you hear every once in a while a kind of general complaint that the train is overcrowded, and that we have to wait in line to be given a meal service; but I have never thought of it as being more than a kind of general right that we Canadians have: like to express our own opinions about anything that does not meet completely with our approval. I cannot comment on whether the company has adopted a policy one way or the other.

MR. SOUTHAM: The reason I ask that, Mr. Chairman, is that, as I say, a number of witnesses have brought this point forward, and we felt that, with the Committee coming out here, it would be possible for us to get some concrete on the spot evidence of this. If we did, it would be a very important factor in our making a decision; but if you do not care to comment we may get something further on this some other way.

There appears to be a clash of opinion between the CPR and the witnesses on the validity at the present time, of the 1880 contract, respecting the question of the CPR giving service in the national interest or public interest. Do you feel that the CPR is putting too much stress on the effective demand or economic side of this issue rather than the public interest?

MR. BRAZIER: Yes, but I cannot blame the CPR for making out the best case it can for itself. I think there is a very strong case to be put on the opposite side, and for your Committee, of course, to judge the merits of the two parties.

MR. SOUTHAM: The reason I put the question is that I am very interested in the suggestions that have been made that we possibly should go back to the Parliament of Canada or to the appeal courts to have a re-interpretation of the act in light of the 1880 or 1881 contract to put this in a proper perspective. Of course, this may or may not be done. Mr. Pascoe referred to Budd cars and rail liners. I was not too sure whether you were thinking, Mr. Pascoe, of the points in British Columbia on the mainland or whether you were thinking of feeder lines. I am thinking of the possibility of placing Budd cars on some of these branch lines, and I think this would apply right across Canada, particularly in central Canada where our present "Canadian" goes through in the middle of the night, and people have a hard time getting service on it. My question was, would you suggest that Budd cars or day liners be placed on these branch lines to bring passengers in to the main line of the CPR?

MR. BRAZIER: In British Columbia we have no branch lines passenger services left at all—there is just the main line service.

Mr. SOUTHAM: Would you think it would be effective if they could put a Budd car on—we have them, for instance, between Saskatoon and Regina—to feed passenger service into the main line or not?

Mr. BRAZIER: No, I cannot see it being effective in this province, and that may be because of the geography of the province itself, without a flat area such as the provinces of Saskatchewan and Manitoba have; we are in valleys.

The CHAIRMAN: Do you have a point of order?

Mr. BOULANGER: Have all the speakers spoken in order?

The CHAIRMAN: No, no.

Mr. BOULANGER: I could wait until the end.

Mr. O'KEEFE: Mr. Chairman, coming as I do from Newfoundland, the other end of the country, I do not have to tell you how interested I am in this particular problem. However, all the questions I have in mind have been asked by the members, in particular by Mr. Andras here, and to save time, I will not ask any questions but I would like to suggest to the witnesses, especially Mr. Brazier, they certainly have been very helpful, very efficient, very effective, very hopeful and very explicit in the answers, but I am not quite clear if I understood Mr. Brazier to say there was no further indication of reduction in the present Canadian Pacific service?

Mr. BRAZIER: I think the statement that Mr. Crump and Mr. Sinclair made to us was that we could look forward to the "Canadian" being operated for many years in the future.

Mr. O'KEEFE: Is that positive?

Mr. BRAZIER: We would like to see it made positive that it will operate, so that we are not again suddenly faced with an application before the Board of Transport that the train is going to be discontinued.

Mr. O'KEEFE: Could you suggest any safeguards that we could suggest as a Committee?

Mr. BRAZIER: I have been presuming that the Committee would recommend to Parliament that the reductions have now reached the minimum and steps should be taken to ensure that no further reductions be made.

Mr. O'KEEFE: Thank you, Mr. Brazier.

The CHAIRMAN: Mr. Caron.

Mr. CARON: Mr. Brazier, in the act of 1881 page 8 Chapter 7 the last three lines read:

"And the Company shall thereafter and forever efficiently maintain, work and run the Canadian Pacific Railway".

Does that include the passenger train and the freight line?

Mr. BRAZIER: Yes.

Mr. CARON: When we were discussing the abandonment of the "Dominion" I think you were representing the province at the time—was that taken into consideration?

Mr. BRAZIER: Yes; it was referred to before the Board of Transport.

Mr. CARON: And it was effectively declared that the CPR had the right to take away the "Dominion" anyway?

Mr. BRAZIER: Yes.

Mr. CARON: Even if they were "forever" to give the service of passenger train.

Mr. BRAZIER: I think the reasoning, sir, of the Board of Transport was simply that, that did not require them to maintain a particular train but the board certainly did not go as far as to say that they could completely abandon the passenger service.

Mr. CARON: If I remember well I think I had a report from the commission stating that for the summer period they were to get back the "Dominion" and the "Canadian".

Mr. BRAZIER: No; the board put out a supplementary judgment some time after, permitting the discontinuance during the complete year, but requiring the railway company to maintain the equipment in case it was required in 1967.

Mr. CARON: Yes. Then, do you think it would be possible, if the freight revenues were to stay at the same level to maintain the passenger service including both the freight revenue and passenger revenue, if freight revenues were to stay at the same level.

Mr. BRAZIER: I am afraid I do not quite follow your question, sir.

Mr. CARON: Suppose we were to put freight and the passenger revenues together, do you think the freight revenues would be high enough to permit them to give the passenger service at the same time.

Mr. BRAZIER: They always have been in the past.

Mr. CARON: You do not know if they are at the present time.

Mr. BRAZIER: No.

Mr. CARON: Do you think that the CPR has not given the same attention to advertising as the CNR has?

Mr. BRAZIER: A great deal of the advertising that I saw personally was joint advertising of the two companies, Sir.

Mr. CARON: Was there any advertising by the CPR and the CNR red white and blue? Did you find anything alike in the CPR?

Mr. BRAZIER: If my memory is correct at one time the CPR joined in the same advertisement.

Mr. CARON: In certain lines only, but not as a whole. It was the CNR advertisement which was used by the CPR not for the CPR. Do you think if they had advertised a little more, they would have had a little more profit?

Mr. BRAZIER: I would not be able to express an opinion on that, I am sorry.

The CHAIRMAN: Mr. MacEwan?

Mr. MACEWAN: No questions.

The CHAIRMAN: Mr. Hymmen?

Mr. HYMMEN: Mr. Chairman, after 15 speakers most of my questions have been answered.

The CHAIRMAN: These are the rules of the game Mr. Hymmen.

Mr. BELL (*Saint John-Albert*): Mr. Chairman, would it not be a good idea if those who did not get a good show in the first part of this morning be given a preference when the later briefs are presented?

The CHAIRMAN: After Mr. Brazier's presentation is completed, the questioning on the next brief will follow in the natural order of the names I have. It has been done in the past, and it will continue to be done.

Mr. HYMMEN: Mr. Chairman, I just wanted to ask Mr. Brazier one question. This Committee will not sit again until we reach Calgary. In the brief presented on behalf of the government of British Columbia, you are speaking on behalf of some individuals and areas, namely the mayors of Revelstoke, Kamloops and several other communities. I was interested in the comments and the questions which were answered in regard to Budd cars. These municipalities I take it, are on the main line of the CPR and the transcontinental train does not stop there, consequently the people have to go to another location.

Mr. BRAZIER: Kamloops and Revelstoke are both stops. Kelowna is not on the main line; it is in the Okanagan Valley, some 100 miles away from the railway, and to get there you take a bus up to the main line, to Salmon Arm or some point like that.

Mr. HYMMEN: I know you answered the question about this Budd car or day liner, and you explained that the train, because of physical nature of the province, was not satisfactory. Getting back to this point again, that we talked about, namely the reduction in service and abandonment of service, what actually is the problem if these people can get to the main lines by the proper bus transportation, whether or not the CPR provides the service? I know, even in the province of Ontario, this is done. I just really cannot see the problem.

Mr. BRAZIER: In reference to Budd cars, my suggestion was that because of the terrain of British Columbia, they would not serve any particular useful purpose in being operated. They have tried them, I know, in the Okanagan Valley to the main line of the railway, but the distance is relatively short and I do not think they are really required.

Mr. HYMMEN: Are we all familiar with what we are talking about? A Budd car in my way of thinking, is a day liner which is a unit with the power in the front of the car and seating behind; they have used these sorts of things in a portion of Ontario in the last few years. If you can get these people to the main line rapidly, I say, comfortably, I really do not see the problem. That is all I have right now.

The CHAIRMAN: That is the last questioner, unless we start over.

Mr. HOWE: We got on to this question of rail liners and I understand that they are using them on Vancouver Island. Are they proving satisfactory there?

Mr. BRAZIER: My information is that the service is a rather slow one, owing to the number of stops they make, and that there is not a great deal of traffic on them.

Mr. HOWE: Then I will refer to the question that Mr. Rock was asking about, namely, that the slowness of the service is caused by the number of stops, and not by the speed at which the trains travel.

Mr. CANTELON: I have four short questions that I think can be answered with probably a yes or no. They have been asked before but for my own satisfaction, may I summarize what you have said. I gather from what you said you believe there is a demand for passenger service in British Columbia?

Mr. BRAZIER: Yes.

Mr. CANTELON: Secondly, do you believe that there is an effective demand in the line of the definition that the railway has given, namely, demand for services at prices which meet the cost of providing that service?

Mr. BRAZIER: That is a more difficult question to answer because, to my knowledge the railways have never said specifically what the cost would be.

Mr. CANTELON: Of course, they tell us that the "Dominion" alone lost them about \$10 million. I gather that you think there would be quite a heavy demand during the tourist season?

Mr. BRAZIER: Yes.

Mr. CANTELON: If then the service is left unused when there is very low tourist traffic, would there not then be as the railway says, a misallocation of resources if they had to maintain that equipment during the period when it was not being used?

(English)

Mr. BRAZIER: No, sir, because you must come to a minimum regardless of the cost, you must maintain some service.

Mr. OLSON: I am going to be very brief, Mr. Chairman, but there are a few very interesting suggestions in this brief that I would like to have cleared up: the first one, if I may, is the definition of this non-railway income. Mr. Brazier, I thought I understood that very clearly until some further questions were asked of you respecting this. You suggest that some of this non-rail revenue be used, in the railway operation. Are you confining this non-railway revenue to that revenue that is obtained directly from the grants of concessions, land, and so on that were given to the railway.

Mr. BRAZIER: No; quite frankly, Mr. Olson, I look at it as I always have as what the CPR classify as their other income.

Mr. OLSON: They are without other income?

Mr. BRAZIER: Other income.

Mr. OLSON: But particularly to mineral development and the profits from this mineral development that may have been in the lands that were given to them, or have you not separated them?

Mr. BRAZIER: No, I would not; but I think there is more justification for saying that the revenue derived from those sorts of assets should be applied to

the operation, and there are possibly dividends that they receive from some particular investment they made which had no relation to the actual building of the railway at the time.

Mr. OLSON: I would like to ask you if you have an opinion on whether or not the cost revenue ratio could be changed if the CPR had really tried to attract railroad passengers to do business with them. Do you think that they have made an effort to make railway line passenger service profitable or at least as small a deficit as possible, or do you have an opinion on this?

Mr. BRAZIER: Personally, I say that I think they have. I think they have been fighting a trend that they can not overcome.

Mr. OLSON: I ask you that because in the brief you say their criticism, and I am sure you are referring to some people who have written to you, can be summarized in a general way by saying that the CPR has always gone a long way towards discouraging passenger traffic. Now, I can understand that you are talking about their criticisms—these are the mayors and other people from various cities and town across British Columbia, and that is the reason I ask you whether or not you think that this revenue cost ratio could have been changed if they had not discouraged passenger traffic?

Mr. BRAZIER: I do not think so.

Mr. OLSON: Now just one other point I want to make, and that is this. I want to be clear on this matter of what you have referred to as mutual consent in so far as any other revisions of the contract are concerned. Is it strictly between the railway company and the Parliament of Canada, and no one else is included in this?

Mr. BRAZIER: I think that they are the parties to the contract.

Mr. OLSON: Then, do you think that all these changes in railway passenger service should be directed to Parliament for a decision? I was wondering what you thought of the idea of Parliament setting down a policy and then, of course, have the Board of Transport Commissioners administer that policy?

Mr. BRAZIER: I have always thought that that is the function of Parliament, to set the policy and then have an administrative body to carry out that policy.

Mr. OLSON: You are not suggesting that each application for the reduction or abandonment must come to Parliament.

Mr. BRAZIER: No, no.

Mr. OLSON: In your opinion then, there has not been any policy set with respect to this contract or the CPR's passenger obligation for some time.

Mr. BRAZIER: No, certainly not from Parliament.

Mr. OLSON: One final question Mr. Chairman. At the moment then, as far as your submission on behalf of the British Columbia Government is concerned, if you could have the second service, say the "Dominion" or a second section of the "Canadian" reinstated or initiated for the summer season and some assurance that the "Canadian" would continue to run on a daily basis for twelve months, this would meet what you think are your requirements in this year.

Mr. BRAZIER: That is right.

Mr. OLSON: Thank you Mr. Chairman.

The CHAIRMAN: I am pleased that questioning of Mr. Brazier has concluded. I want to thank you on behalf of the Committee, Mr. Brazier, for your very lucid presentation and for the time you have spent with us in answering the questions. We are very happy that the government of British Columbia has seen fit to present the brief to us. I am certain that, as you can tell from the questioning of the members of the Committee, there are certain matters in here which are of some extreme interest to the members, some of the questions that have come up in previous meetings have been answered, you have raised some other matters which will give food for thought for further questioning by this Committee. I wish to thank you Mr. Brazier, for your very kind presentation and thank you very much for attending.

Mr. BOULANGER: I want to raise a point of order before Mr. Brazier goes.

The CHAIRMAN: What is your point of order, Mr. Boulanger?

Mr. BOULANGER: An explanation of what I said at the very beginning which is very important to me.

The CHAIRMAN: An explanation is not a point of order so I am ruling you out of order on it.

Mr. BOULANGER: Then on a point of order.

The CHAIRMAN: What is your point of order?

Mr. BOULANGER: At the beginning I said to Mr. Brazier that I did not understand English very well.

The CHAIRMAN: Order, Mr. Boulanger, please. It is no point of order and I am ruling you out of order.

Mr. BOULANGER: How do you know. I did not even say what I wanted to say.

The CHAIRMAN: Order, please.

Mr. BOULANGER: All right, I will make it a question of privilege.

Mr. ROCK: Mr. Chairman, you could at least hear what he wants to raise.

The CHAIRMAN: Order, please. Mr. Rock, I am well aware of what is being raised; I was informed by Mr. Boulanger what it is. He wants to explain to the Committee certain statements that he made. Now, I am ruling that there is no point of order on the statement he made which he wishes to explain. There is no point of order. We have to abide by the rules of this Committee and I am ruling it out of order. Mr. Boulanger.

Mr. BOULANGER: All right then, I will have to raise a question of privilege.

The CHAIRMAN: If it is a question of privilege, fine, but there is no point of order.

Mr. BOULANGER: This might not be important to you, Mr. Chairman, but it is very important to me.

The Chairman: You have a question of privilege, Mr. Boulanger? All right, raise your question of privilege.

Mr. BOULANGER: I said at the beginning Mr. Brazier that because I was not perfectly bilingual I was having difficulty trying to understand the English language and I added, "the accent of Vancouver". Now my question of privilege is this. What I said that I did not understand the accent of westerners, I meant that I did not understand that charming and typical English from western Canada.

An hon. MEMBER: Ha, ha ha, very good.

Mr. BOULANGER: I am very satisfied with the way you have taken care of me in the handling of that brief here. I just want to thank you, Mr. Brazier.

The CHAIRMAN: I am sure, Mr. Boulanger, that Mr. Brazier and the rest of the people here realize that with your quiet, dulcet charm no offense was meant. Thank you very much, Mr. Brazier.

Mr. BOULANGER: We have to watch the press.

The CHAIRMAN: I think that we will ask for a five minute recess and return here at 12:15, no later than 12:15 please. It will give us time to stretch.

(AFTER RECESS)

The CHAIRMAN: Gentlemen, we have a quorum. We will have the Brotherhood of Railroad Trainmen, Mr. Beatty or Mr. Colbourne, or whatever delegation is here from the Brotherhood. Would you come up, please. Mr. Colbourne, please have a seat.

Mr. COLBOURNE: Thank you.

The CHAIRMAN: What is your special title with the Brotherhood Mr. Colbourne?

Mr. COLBOURNE: There was a Committee set up to handle this proposition when the "Dominion" was taken off. It is a local lodge who appointed Brother Beatty and I. Mr. R. A. Beatty and I are local chairmen of respective Trainmen and Conductors Committees. They appointed us on this Committee, and we are co-chairmen.

The CHAIRMAN: Yes. What I wanted to find out is whether you have any other copies for the Committee. You have no copies for the members.

Mr. COLBOURNE: No I have not. We only had five.

The CHAIRMAN: You intend to read the whole thing.

Mr. COLBOURNE: Yes, if possible, if you give me the opportunity.

The CHAIRMAN: I certainly will.

Mr. COLBOURNE: It will not take long in this case.

The CHAIRMAN: No, not at all. Gentlemen, we have with us Mr. Colbourne of the Railroad Services Committee of Lodge 144 of the Brotherhood of Railroad Trainmen. We only have two copies of the brief, the original and a copy that

has been filed with the Clerk, so members of the Committee will have to listen to the brief. The brief you now have in your hands will be the next brief presented by the Brotherhood of Locomotive Firemen and Enginemen of Lodge No. 341, Revelstoke. Mr. Colbourne, you may proceed please. You may sit down.

Mr. H. W. COLBOURNE (*Chairman, Lodge 144, Brotherhood of Railway Trainmen Canadian Railway Service Committee*): The introduction is the Canadian Federal Standing Committee on Transport and Communications. Mr. Brazier had some trouble with the member over here and I want you to snap your fingers if I do not meet your standards, as it were.

Lodge No. 144
8743 S.W. Marine Dr.
Vancouver 14 B.C.

Mr. J. Macaluso
Chairman
and
Members of Can. Fed. Standing Com.
On Transport and Communications

Dear Sirs:

Appearing before you gentlemen on behalf of Vancouver Lodge 144 of the Brotherhood of Railroad Trainmen, it would be very foolish and moreover provincial of the membership to offer as the reason for our countries transportation difficulties, the alleged shortcomings of the Canadian Pacific railway.

Now, Mr. Beatty and myself come here from the Brotherhood of Railroad Trainmen to address you and we are prejudiced, but I suppose coming before a tribunal of this kind, it is quite all right to come prejudiced. We are railroad men and we are prejudiced in the fact that railroading should be a continuous industry and we hold it to be essential to the present day civilization. Five or six thousand years ago, probably the only essential that man required was air and water, until electricity and the telephone came. Now we think that transportation is one of those things which should be essential. And we are prejudiced respecting having railroads continue as an essential part of our civilization; they are necessary to Canada.

The CPR, a very successful corporation, has up till very recently, offered transport of goods and passengers at a standard as good as or better than most railroads on this continent. It is a good company to work for, and as to its being an easy or hard taskmaster, I need only refer you to the length of service of most of its employees.

But now the CP seems caught up in the trend of today which dictates leaving the old before the new is proven, and they are being swept along on the tide with the other railways across the border in formulating policies which we of 144 consider detrimental to the national welfare. And so we are here to offer our opinions in the matter. We wish to go on record concerning this problem as favoring a permanent federal commission with jurisdiction over all carriers in the "Dominion", to so regulate and order the affairs of the different means of transport as to assure Canada the best possible present and future handling of commerce and people.

This was the brief we presented at the time we were down at a committee meeting in Calgary. It was a general committee of brotherhood railroad trainmen and our local asked brother Mr. R.A. Beatty and myself to submit a brief to Winnipeg, to Mr. Crump and Mr. Pickersgill, to a Vancouver meeting concerning the reduction of the "Dominion train". So we wrote this brief which I would like to read now.

Mr. W. G. McGregor,
Canadian Agent and Can. Leg. Rep.
Brotherhood of Railroad Trainmen,
Ottawa, Ont.

Vancouver, B.C.
September 27, 1965.

Dear Sir:

In the efforts we operating railroaders are making now, an endeavor which many communities and public leaders have joined us in, directed at securing continuation of a specific passenger train as being a necessity to services here in Canada, it seems we have narrowed our scope of interests in the affair to an extent that may work to our defeat of purpose.

The railroad company is using every device and means possible, such as depreciation of its equipment, curtailment of services offered upon it, and diversion of its customary traffic to such other avenues as train 2 and 1, to discount train 8 and 7. This schedule is now doing so little business because of this deliberate diversion of its usual traffic and the planned depreciation of its passenger carrying ability, that to all intents and purposes it would not be much missed.

As a further discouragement to shorter journeys and local trips, the CPR has considerably increased the fares on these hauls.

The CP is now making an issue of the needing of the engine units used on this second passenger train to fill out the motive power fleet required to handle the present seasonal freight movement. This peak tonnage occurs yearly at this time, and if we people of Canada must judge this railroad's ability to cope with this regular problem as the best they can do towards meeting with a little unusual spurt without being swamped, then it shows inability to deal with an emergency. It also points the people require government attention to this vital matter of assuring that public carriers are in a position to adjust themselves to heavier demands than usual on their systems. With present conditions prevailing the way the CP claims, that is that their plant is unable to properly handle the volume of business offered, where would this country be if a war precipitated and troop and military supplies had to be moved by rail? There is a need in this country for all the present systems of public transport and there certainly is a responsibility resting with the Government to see that these are all kept healthy and ready to assume some extra, possibly emergency, services.

If the CPR gave as much attention to improving and making attractive its passenger trains as it now is using in the obvious manipulations to discredit and depreciate them, there would be no need to even consider the removal of the runs in question.

Railroads by and large have not told the public their real reason for trying to get out of the passenger business. Study of the situation and experience with the features peculiar to railways discloses that they dislike having to provide services at the dictates of a customer, such as they must do in operating passenger trains, and that they wish to change over to a freight only basis in order to scale down the physical plant to a lower standard in each of its many phases. The on time operation of trains, appearances of all their properties, and safety factors will no longer be influenced by the fact that people are being transported, and these matters will all be at the disposal and pleasure of the carriers themselves.

We who are trying to assure Canada an adequate passenger train service, to complement as it should the other means of public transport of people, must support a campaign to bring home the facts of the whole situation to the entire country. There should be at least two passenger trains each way every 24 hours on both trunk systems, and these should be timed so as to give 12 hour near as possible spacing at all stations, and not to run at company convenience as now prevails. These schedules should offer the travelling public all the features of rail travel now possible on the best standard North American consists.

Regardless of all argument by those who wish to see the end of rail passenger services, the country generally loses ground and becomes poorer, as the Railroad varnish cars tend to become scarcer and the sleeper trains cease to operate. Let us all join a sincere movement to reverse the trend now.

The North American railways have generally adopted a policy of curtailment of extensions of their properties and measures to keep motive power and freight car inventories at a minimum, never adding to a fleet if possible, and trying to make one vehicle perform what two formerly undertook. There is no doubt that taxation of the railroad's physical assets has been a prime factor in motivating this trend, and it seems to insure good diversified transport of people and goods, these taxes that discriminate against the Railroad should be seriously studied by government agencies that are entrusted with the countries commerce.

A unit of energy, no matter how provided, by gasoline, electricity or coal, moves a much greater amount, four or five times as much at least, on railroad roadbed than on the roads or in the air, and the signs of the times point to a necessity now as in peacetime, as well as necessarily in war time, to use our dwindling stores of World resources to best advantage.

Reckless abandonment of branch lines must be halted, and reduction of other facilities and properties, such as storage trackage, double mainlines and passing tracks must be stopped. In a country such as this, undoubtedly on the threshold of great expansion in all its various aspects, the need is for the best possible means of transport.

There should be no place in the Canadian economy for railroads entirely actuated by the profit motive.

The conclusive feature of the whole question of railroad operation and maintenance in the future should be Canada's well being, ensuring the best possible—not the best under the circumstances—nor the best possible with largest profit possible.

The Railroad Situation in Canada

The complexities and difficulties that the different forms of transport face in this Canada, with its thinly spread population and scattered natural resources, preclude the writing of a brief that adequately pictures the situation and retains continuity.

The most publicity now-a-days is being given to the passenger traffic, as this has been a developing matter which has been forced to maturity by the CPR taking off its "Dominion" passenger train, Nos. 7 and 8, last autumn.

The CPR is vindicating their position, point to the steady mounting loss of profit over the last years. They can produce figures to show that only 30 percent of the total passenger mileage travelled in this country remains to divide up between public transport avenues, while the much greater part elects to use the private automobile. But the CPR does not publicize the fact that they have now adopted a policy of hastening the end of their dividendless department. That they are in the air transport and highway vehicle business and want to force the passengers off the trains on to the other modes of travel.

The CPR does not tell you that the passenger business to the railroad is the same as the ambitions of man, it keeps them chained to an objective, tied to a principle of operating at a high standard of efficiency and safety. All railways in North America worth being considered railways have passenger trains in their time tables.

Those experts (they claim to be such) who would have us think railroad transport of passengers is old fashioned, do not know apparently that the Ionian Greeks tried to fly around 500 B.C., much before any other land power transport was available. That horseless road carriages preceded railroads many years.

And to add a by word on experts—over twenty years ago several North American cities, Vancouver was one—hired consultants to tell them that all future large buildings should have autogyro and helicopter ports on their roofs, that the corporations should establish many Heliports scattered around the city centres like parking lots—and there are now relatively very few more of these machines in use as commuting means than there were when these fairyland geniuses made their predictions. To explain this phase of the problem and give the specialists credit, land transport in the channels of auto and bus carrying of the public, kept up to date, thus preventing the helicopter take over.

The Railways have never produced passenger trains to primarily provide maximum service to the public. Any attempt to vary or improve the trains concerned was always well modified by the requisite of (1) profits (2) the fitting in of the project to the company's existing plant and its established methods.

When the CPR decided to depreciate its own once proud passenger department, it really planned a thorough job, and when the "Dominion" was finally deleted, it was operating as a worthless appendage, forced to run because of government decree—and any and all who rave and rant for the re-establishment of 8 and 7, some call it 4 and 3, are wasting their breath.

The only worthwhile objective for Canada's sake, is to ensure an adequate passenger train service, and this should be two trains each way a day from west coast to east coast, offering sleepers and diners and coaches. And there could be another train daily to handle fast mail and express, which, with modern cars and methods could also handle freight. The two passenger-consists should be timed to be roughly 12 hours or convenient periods apart, not to run at the railway's convenience so as to dodge freight trains etc., at their pleasure.

It must not be concluded by any means that all the fault lies with the R'd corporations. Public funds practically form a fairy godmother for the airplane business, providing all essentials to the enterprises but the planes. Almost the same benevolence is extended to the highway carriers. The only fare that reflects the great portion of the cost connected is the railroad ticket. A former high officer in the USA interstate commerce commission, Mr. R. Paya once said that the one shortcut out of the maze of transportation troubles was to put all means of transport on their own feet—make them all pay their own way. But he warned that this was so revolutionary it could be only ushered in gradually, to become fully effective in say five or possibly ten years.

We are living in an atmosphere of democracy, in which free enterprise is king, why not let that prevail? We have extended to the present transportation companies an indulgence in communism—to let them dictate to us what we will buy—like a merchant telling a customer over the counter that as he considered it no longer profitable, or expedient to sell tea, coffee must be purchased or go elsewhere.

It seems in Canada's interest to ensure adequate good railroad transport, passenger, freight and express and good highway carriage by public companies providing necessary service in the many districts where railways do not run mainly, and operating as a competitor not as a strangler or a parasite. We should be assured good air transport and this again only subsidized to compete on the proper footing, not set up to be an intended replacement. There is lots of room in this country, and a good healthy demand for each one of the three channels of travel. Let us make sure we do not tolerate artificial stimulation of one to the other's harm.

If it is found the private company can not meet the proper requirements, then the country should either take over entirely or at least direct the operation of the business. While this savors of communism, or socialism, or state-ism, let us reflect on the fact that this is the only continent that still has private-owned railway systems.

Let us dwell for a moment on the fact that many great changes, which seem impending, will be beyond private enterprises' ability to deal with. One of these is atomic and nuclear energy as it will apply in our everyday lives. Private companies could not even finance the insurance necessary to this risky undertaking, much less be trusted with dangerous waste disposal.

The trend in the transportation of goods and people, the changes that have already taken place and the impending diversification in the industries concerned, and the foreseeable future possible innovations—all these features that must be considered, do not warrant planned abandonment of any existing means of transport. Rather accepted proven techniques must be improved and brought up to date to fit the new patterns. Certainly no government or public agency should offer help, by subsidy or legislation to permit the reduction of present transport means.

In the U.S.A. the government and the railroads agreed to take off the train mail services before ensuring adequate replacement handling of the post office business. This has now resulted in near chaos in large centres where truck and air mail is arriving unsorted and without routing.

As only the very large strategic centres will rate class A airports capable of accepting the large jet planes, and in Canada this will mean only 2 or 3 cities, and as the machines grow from 150 passengers to the projected 500 and 600 passenger type, if we let all our passenger trains disappear, we Canadians are going to face the problem of preliminary pilgrimages, so to speak, before starting our journeys, as we find our way to a point where our planes will call.

Although communism has been pictured the greatest threat to our future, it pales into insignificance against the two other great growing enemies—a world of rapidly diminishing resources, these being mined instead of developed, and a world faced by a catastrophic population increase. As a railway train is the most efficient mover by far of commerce and passengers, let us ensure its continuity. Thank you very much gentlemen.

The CHAIRMAN: Thank you very much, Mr. Colbourne. I think that you need to stop for a second to breathe.

Mr. COLBOURNE: Thank you.

The CHAIRMAN: Perhaps it is a good time to advise members of the Committee and the people here that it is our intention to adjourn at 1.30 for lunch and to resume at 2.30 this afternoon. We have two more presentations after the Brotherhood of Railroad Trainmen, as I have said, the Brotherhood of Locomotive Firemen and Enginemen and Mr. MacKenzie, an individual presentation. I will call first of all on Mr. MacEwan.

Mr. MACEWAN: Just a few short questions. I think that the brief was well presented and I would like to ask Mr. Colbourne how the discontinuance of the "Canadian" has affected your Brotherhood?

Mr. COLBOURNE: Discontinuance of the "Dominion"?

Mr. MACEWAN: The "Dominion", I am sorry.

Mr. COLBOURNE: Well, speaking of that, I would suggest that we would be very provincial to look on it from this light that it affected our employment, but of course it did.

Mr. MACEWAN: In what way?

Mr. COLBOURNE: There will be crews in this province who will have to go to freight service. In certain places in Canada where the passenger men are separate and distinct from freight men, I would say, I think they lost their jobs.

They were out of work. The company did try to bring them into the freight rosters on those divisions. Here at Vancouver we have only one seniority list. We work freight and passengers.

Mr. MACEWAN: It is all one list?

Mr. COLBOURNE: Yes.

Mr. MACEWAN: How many men would it involve here in your own Brotherhood?

Mr. COLBOURNE: When the one train was taken off? There would be three crews from here to Kamloops. That would be nine men, but there were not nine men that went up the street. Freight business has expanded to assimilate them. We have been at continual hiring of men for many years here.

Mr. MACEWAN: These men from the three crews have not been dislocated then?

Mr. COLBOURNE: No, they are working, but they are not working in passenger service.

Mr. MACEWAN: You are appearing for your own Brotherhood, but, of course you are thinking of all Canada where the CPR runs.

Mr. COLBOURNE: Yes.

Mr. MACEWAN: Now, just one more question. The suggestion was made earlier today in a brief that if another train was not put on to replace the "Dominion", a second section of "The Canadian" might be possible. Have you anything to say in that regard?

Mr. COLBOURNE: Yes, according to American standards of operating passenger trains, when they become over a certain length they are unwieldy. They cannot be successfully operated. You cannot put your diners in a strategic place. We will consider a 30-car train. It is not very often you get a 30-car passenger train, but we have seen them 26 and 27. When you stop at any one station, the passenger on the last car has to walk up 30 car lengths to get off because the trains are not supposed to stop twice at each station, although we do make two stops at some stations.

Mr. CANTELON: Seattle does that regularly.

Mr. COLBOURNE: Yes, I believe so.

Mr. MACEWAN: The suggestion was made that these second sections might be run, say, 30 minutes after the first one and, of course, they would not involve such long trains. If the decision was made not to put the "Dominion" on again and the second section of the "Canadian" was put on, would that be of some assistance at least?

Mr. COLBOURNE: Yes, it would be. But I would think that the company would be reluctant to do this because it would mean duplication of facilities. There would have to be dining cars on that second section or baggage cars, or at least there would have to be a buffer car, between the engine and the passenger carrying car.

Mr. MACEWAN: Would the CPR have sufficient equipment do you think, from your own knowledge of the "Canadian" to have two sections of the "Canadian" and have equally good equipment on both.

Mr. COLBOURNE: Well, that is a matter of opinion. They have enough equipment. Some people say that the older, standard CPR sleepers, were more comfortable than the present Budd cars. They had a riding capacity that excelled the Budd car in some ways. Train 2 and 1 is made up entirely of stainless steel Budd-built cars.

Mr. MACEWAN: Thank you.

Mr. O'KEEFE: Just one question, Mr. Chairman. Mr. Colbourne, I am sure that you know that we on the east coast have none or few of the luxuries that you people enjoy with the Canadian Pacific Railway. We do enjoy some of your wonderful apples and I know that they are very important products, but we do have lower freight rates and lower passenger rates certainly under the red, white and blue plan. Now, in the beginning of your brief, I think you mentioned something about increased fares on these hauls to discredit and depreciate passenger service. Could you explain a little more, Mr. Colbourne how much these fares were increased?

Mr. COLBOURNE: Although the fares generally between the major points like, shall we say from Vancouver to Calgary are comparable to the CNR fares for like distances, it is my understanding that the local hauls have been jacked up to a much greater extent than the Canadian National has in their peak season, for the purpose of discouraging local business.

Mr. O'KEEFE: Could you say how much they have been jacked up?

Mr. COLBOURNE: Considerably in many cases, say 20 per cent.

Mr. O'KEEFE: Thank you.

Mr. CANTELON: I am very much interested in what you said. I think your words were something like this, that the CPR has used every device possible to divert traffic from the "Dominion". Would you mind listing some of those devices?

Mr. COLBOURNE: Well, I think it was common knowledge that first of all the CPR gave notice that they were going to discontinue the train, and then subsequently there were orders to continue it, and it continued as a passenger train with very few of the niceties that go with the passenger train, with the bare daycoach and a baggage car. I think that is common knowledge.

Mr. CANTELON: In other words they ruined the consist?

Mr. COLBOURNE: Then, of course, each winter though, each fall timetable when the summer business was finished, that was a natural sequence. The "Dominion" got down to that basis, but not so completely as it did last year.

Mr. CANTELON: Then, you obviously would not agree with Mr. Brazier who thought that if the "Canadian" was extended by putting another section on it, this would meet the need. Do you think that there should be two trains at 12-hour intervals. Am I right in that interpretation?

Mr. COLBOURNE: If one were considering the business that the "Canadian" handled last year, we will say that it was complemented by trains 7 and 8; the overflow business went to that. Well, then this year, of necessity, there would have to be another section we will say of trains 2 and 1 to handle that business, but if you are going to give the passengers service, you would have to have two trains, and space them.

Mr. CANTELON: In other words, if you are trying to serve the communities.

Mr. COLBOURNE: Canada, yes.

Mr. CANTELON: That is really the point that I want to get at.

The Canadian runs across the prairies in the middle of the night.

Mr. COLBOURNE: That is quite true. It can not be very much of a local service there even if it did stop.

Mr. CANTELON: One other thing that I have been rather interested in all the way through. I am not absolutely certain whether these were your words, but they are along this line—that the railways have never produced railway trains capable of satisfying the public, and I thought perhaps in that respect you meant sort of technological development and improvements in the train. Is that what you had in mind?

Mr. COLBOURNE: No, not that. I believe that the railroads have been very anxious to serve the people in the past and make their cars as nice as possible under the circumstances; but what I do mean is that with the existing railroad plants in Canada and the United States today, all trains must run with respect to one another. That is, the plant has to have so many trains running continually and so far apart. You cannot jam these trains up at a terminal, because trains are not like highway traffic. They cannot pull out and go around. You have to have trackage to divert them on, and nowadays with these long freight trains on the road, these passenger trains must be strategically situated in a timetable to go over the road, to keep moving and not interfere with other traffic.

Mr. CANTELON: As far as the development of cars and engines is concerned, you are satisfied that the railways have kept up with modern technological development.

Mr. COLBOURNE: The company is very jealous of its equipment. It has inspectors out there and they maintain it to a standard, particularly the sleeping cars, and they are continually after us over keeping the porters at work to keep the cars clean and presentable. No, as far as the train itself is concerned, the railroad company has not been shortcoming in that respect at all.

Mr. CANTELON: Fine, I will leave it at that.

Mr. PASCOE: Well, Mr. Chairman, I would just like to ask the witness a question. This brief was prepared by Vancouver Lodge No. 144. Would all the members of that Lodge participate pretty well in the preparation of this brief and agree to it?

Mr. COLBOURNE: Probably not all of them, but they would be there in submitting portions of it, you know, at the regular meeting and they were asked to write us if they had any opinions.

Mr. PASCOE: Would you say then that the expressions of opinion in this brief which are very clear cut, I must say, would fairly well represent the views of other lodges so to say, of B of R.T.? Could you say anything about that?

Mr. COLBOURNE: May I ask a question of our legislative representative, Mr. Fred Lowe from Nelson. He goes to all the other lodges. May I ask him a question. May I ask you, Mr. Lowe to answer that question. Do other lodges have somewhat of this opinion concerning the situation?

The CHAIRMAN: Excuse me. Mr. Lowe, would you come up please.

Mr. LOWE: Is that permissible?

The CHAIRMAN: Oh, yes. This is between the two of you.

Mr. LOWE: In answer to the question, Mr. Chairman, asked by Mr. Pascoe, the opinions as expressed in this brief are pretty much clearcut as will be found I would say across the Dominion of Canada. I should back this with a further statement. We are members of the Canadian Rail Labour Executives Association and this committee has undoubtedly heard the opinions of our organized group.

The CHAIRMAN: We have already had the brief presented by Mr. Morris.

Mr. LOWE: Was it presented by Mr. Morris?

Mr. CHAIRMAN: Yes.

Mr. LOWE: Well, then, I believe this sums it up.

Mr. PASCOE: Well, in regard to that, then, I think that the brief suggested a national authority for all transportation tolls. That would be pretty well the expression of opinion of the lodges.

Mr. COLBOURNE: Yes, I believe that all railroad men are in favour of a national commission to deal with all transport; to integrate them to the best advantage to the country as a whole. I think a study of the situation would disclose that possibly we are not doing the right thing by the different methods of transport.

Mr. PASCOE: One more question along that line. If I heard your brief right, you suggested the possibility of the nationalization of the CPR. Is that in your brief?

Mr. COLBOURNE: Yes. Failing meeting the approval of you gentlemen, and his intended federal commission, if the CPR could not if a private company could not.

Mr. PASCOE: Whether you can answer this last question, I am not sure, but I asked Mr. Brazier the same question and we are quite concerned. We have heard that it is difficult to get reservations in some parts of the country. Of course, with Vancouver being the point of origin, I suppose the public here would have a better chance of getting reservations, would they not? Could you answer that?

Mr. COLBOURNE: No, I would not say that they have any better chance. The 'reservations' bureau has contact with each centre, each day, and this probably is not fully understood by the public, we have so much space allotted at

Kamloops. They have two roomettes on Train 2, Vancouver, Calgary,—no other place can sell that space until they hear from Kamloops. With space allotted, you can understand that when the business is down in the winter, the company is reluctant to put extra cars on, more than necessary. You have a diminishing number of cars and of course it is much more difficult to get space ahead of time, because we are faced with this so much space for Kamloops, so much for Calgary, so much for Medicine Hat, so it can be readily seen and appreciated.

Mr. PASCOE: Well, then along that same line then, when is that reservation for Kamloops and those points, cancelled so that somebody else might have it, right at the very last minute?

Mr. COLBOURNE: Pretty near. When the sleeping car conductor wires release space for so and so, if they wire him for space.

Mr. PASCOE: Thank you, Mr. Chairman.

Mr. FAWCETT: First, I would like to commend Mr. Colbourne on his presentation, I can readily see that Mr. Colbourne has been working on passenger trains as I was because there seems to be a meeting of the minds on various subjects, and while your loyalty and my loyalty might be in conflict in one respect, we are together as far as railway passenger service is concerned. In order to have the record clear, I was afraid that perhaps there would be an inference drawn from our discussion of this morning that would not give a correct impression. Would you say that there has been a considerable improvement in passenger train schedules on the main line in the past ten to fifteen years?

Mr. COLBOURNE: Well, there have been improvements. We must admit that because trains are getting over the road faster than they used to, but not probably to the same extent some would have expected. Say, thirty years ago, the time from Montreal across the continent was something like 90 hours, and now we have it down to 72 hours. It is a fact though that trains could operate faster than that. The fastest a train has ever operated on this division was almost fifty years ago with a steam engine: they took a carload of mail from an old Empress boat that had been left by mistake in the east and it came to catch the boat sailing that day. It ran from Kamloops to Vancouver and with difficult grades and constant subdivisions, five and a half hours. That is the fastest that these last two subdivisions have ever been made before or since.

Mr. FAWCETT: I have another point, I do not know what the CPR set-up is, but on the Canadian National there is a maximum permissible speed for passenger trains. Has that been increased in the past ten years?

Mr. COLBOURNE: Yes, it has, but it is still quite basic in this division that at certain points in the Fraser Canyon regardless, you could not get over 30 miles an hour, because of the curvature. The curvature of the valley precludes the building of a railroad track that would stand excessive speed. For instance, I believe that on some of the curvatures, the overturning speed of a loaded freight vehicle would be somewhere around 40 miles an hour. Of course, their centre of gravity is higher than the passenger. The passenger could manoeuvre at a faster speed than that, but still it would not be proper to do so.

Mr. FAWCETT: The point is that the curves have to be elevated so that they can take the slow freight as well as the fast passenger train or the fast freight.

Mr. COLBOURNE: The curves are compensated to fit passenger and freight, yes.

Mr. FAWCETT: You could not have a curve that was elevated too high for a tonnage freight train; otherwise you would upset your freight car.

Mr. COLBOURNE: Yes, yes.

Mr. FAWCETT: You answered another question of Mr. Cantelon, that I had here, and that was your opinion regarding two sections of the "Canadian", and I thought you answered that very well. I would understand that you had been working passenger trains; is that correct.

Mr. COLBOURNE: Yes, at the moment I am in passenger service and I have been working passenger on Train 2 and 1 between Kamloops and Vancouver ever since it was on.

Mr. FAWCETT: Would you say that the "Dominion" facilities during the peak period in the summer were used to the maximum extent?

Mr. COLBOURNE: You mean, was it well patronized? Yes, it was quite well patronized because their consist of passengers carried was a good deal more than we had on 2 and 1 most of the time.

Mr. FAWCETT: I just wanted to have that in the record because I am afraid that there are not going to be sufficient facilities to handle the rail passenger business this summer unless there is an increase in facility supplied by the CPR. The question I had regarding reservations has been covered. I am glad you made that point regarding holding space at various places which is necessary and no shows have their effect on reservations. I am going to pass now, Mr. Chairman. I would like to say in conclusion that I appreciate your brief very much.

Mr. SOUTHAM: Well, Mr. Chairman, two of my questions have been answered, but I was very interested in Mr. Colbourne's evidence compared to Mr. Brazier's this morning, with respect to this premeditated policy on the part of the CPR to discourage passenger use of their train service in order to divert this traffic to air traffic. Now, the question of the difficulty of getting reservations is one of the chief criticisms on the part of the public. Have you any other evidence of any other planned policy of the railroad to discourage the use of the railway? Is there any other evidence of this?

Mr. COLBOURNE: One could not say that officers of the company deliberately went out to sabotage the operation but I do not think it is a hidden fact that they wanted to discourage passenger traffic.

Mr. SOUTHAM: A member of the committee, interrogating other witnesses, put the question, which came first, the chicken or the egg. Did they plan this diminution of service and then set out to discourage passengers, or was it vice versa? Did the passengers quit the train and then they cut down the service.

Mr. COLBOURNE: That is rather a difficult question if I were to answer.

Mr. CHAIRMAN: I was going to say, Mr. Southam, because of the position Mr. Colbourne finds himself in, he might find it a very difficult question to answer.

Mr. COLBOURNE: I would say that it was natural, when we have all the evidence that passenger-business is being downgraded, that there is less incentive for people to try to travel or try to use these facilities. You could put it this way; if we have a train going out here tonight down at the station with fifteen cars, there will be nobody left in the station and everybody will get on that wants to go, but they are not out encouraging the business.

Mr. ROCK: I have one short double question. If future train speeds were to reach double the present speed, what effect would this have on your Brotherhood and how much co-operation would be expected from your Brotherhood in respect of existing labour contracts?

Mr. COLBOURNE: I have never heard the basis of speed argued pro or con as regards our accepting a contract. Whether a train went 40 miles an hour or 20 miles an hour, our wage basis meets that danger because we are paid by miles instead of hours. So the faster we can get there, the better for us.

Mr. ROCK: What co-operation would we have in this regard from you.

Mr. COLBOURNE: We would love to get there twice as fast.

Mr. ROCK: You mean you would want to get there twice as fast and get the same amount of money.

Mr. COLBOURNE: Sure.

Mr. ROCK: That means the railway companies would get no co-operation from you.

Mr. COLBOURNE: Well, now, they might.

Mr. ROCK: There is no co-operation—

Mr. COLBOURNE: Well, now do not put it that way. These contracts are engineered after a great deal of study and many meetings between the parties concerned, and they are set up and there is no provision in those, may I say, that would take care of this exigency that you point out. But the railroad companies would soon be after us; they are after us right now. On account of the fact that trains make so much better time they want this aspect cleared up. They figure they want to get us on a hourly rate of pay now.

Mr. ROCK: Well, then, I ask you what type of co-operation could be expected from you.

Mr. COLBOURNE: The railroad companies would just serve notice on us they wanted to open the schedule and we would do our best and they would do their best.

The CHAIRMAN: Well, I would say that is a labour management problem and not within your sphere of jurisdiction.

Mr. BALLARD: Just one question, Mr. Chairman. Mr. Colbourne, in your introductory remarks you mentioned that you would like to see a permanent federal commission established. Now we have heard this term before, possibly from another Brotherhood, but in view of the fact that we already have a Board of Transport Commissioners, would you explain to us how this Commission that you refer to, would be constituted and what authority it might have.

Mr. COLBOURNE: Well, our meaning there is that it would have jurisdiction over all transport in Canada, federal, provincial, municipal; any transportation in Canada would finally apply to that for dispensation to operate or cease operation.

Mr. BALLARD: Who would appoint the commission?

Mr. COLBOURNE: The same authority that appoints the present commission, the federal government, I would think. Whereas the railroad companies welcome this suggestion, I believe that the air people and the bus people are reluctant to accept it.

Mr. BALLARD: I suggest that possibly the provincial government would resist it too, would they not?

Mr. COLBOURNE: That is one reason that the PGE does not want to go over into Alberta, I guess.

Mr. BALLARD: It is still not clear in my mind how this commission is going to differ from the Board of Transport Commissioners, other than the fact that you say this commission will have jurisdiction over provincial and municipal transportation.

Mr. COLBOURNE: For instance, we have tonnage to handle from Vancouver through to Alberta. The federal body rules on that now, but suppose the mass movement only went as far as Revelstoke, then the federal commission has no jurisdiction over it. That is my understanding. Am I right or wrong?

Mr. BALLARD: In other words, what you are saying is that this new commission would have dominion over all types of transport, not just railways.

Mr. COLBOURNE: Yes, and integrate them to its pleasure.

Mr. CHAIRMAN: Thank you Mr. Colbourne and Mr. Lowe. You have one final question, Mr. Howe?

Mr. HOWE: I have a question in connection with that. How would you get along with the provincial governments in trying to co-ordinate all the transport facilities.

Mr. COLBOURNE: That would be an obstacle but I have not any remedy for that. I could not offer any in my humble position.

Mr. HOWE: One other question. You mentioned the timetables that the railroad companies brought out to their own advantage. Has your organization ever prepared and submitted a complete timetable to the railroad and had it turned down.

Mr. COLBOURNE: Oh, no, we have never dealt in those kinds of things.

Mr. HOWE: Would you say that this is then to the advantage of the company if you have not made a study of it.

Mr. COLBOURNE: We have made a study of it to the extent of forming that opinion. We are employees of the company, we do not direct their operations.

Mr. HOWE: Yes, but do you not think that you should have given them an example of a better one?

Mr. COLBOURNE: I think they know only too well and good that their existing trains must fit into the way the timetable is, because of the limitations of the plant.

Mr. HOWE: There is one other question with regard to speed on curves. Probably this is not your problem. I have always wondered why the railroad car's centre of gravity has not been reduced through the years or lowered, so that they could take these curves a little faster. That is a technical engineering problem.

Mr. COLBOURNE: There are two answers to that. There is a difficulty in engineering the cars so that their centre of gravity does become low enough to permit higher speeds, and the second one is relative to it being a passenger train. The higher you can get the centre of gravity away from the contact on the rail, the better riding vehicle you get.

The CHAIRMAN: Thank you very much, Mr. Howe. Thank you Mr. Colbourne and Mr. Lowe for a fine presentation and we appreciate your attending, thank you.

(applause)

Mr. COLBOURNE: Thank you very much for tolerating us.

Mr. CHAIRMAN: Gentlemen, we have two briefs to present. I think it would be wise right now, with the time that we have, before we adjourn at 1.30 to take an oral presentation from Mr. G. MacKenzie, a resident of Vancouver, formerly a resident of Moose Jaw, a locomotive engineer, and we will adjourn at 1.30. If there is further questioning of Mr. MacKenzie, then we will continue at 2.30. Mr. King has a lengthy presentation on behalf of the Brotherhood of Locomotive Firemen and Enginemen and we will take that in the afternoon hearing. Mr. MacKenzie, you are welcomed to commence.

Mr. MACKENZIE: Mr. Chairman and members of the committee. It is rather presumptuous on my part to come and address a committee like this on my own behalf. But on the other hand, we have had so many complaints made about what I am going to deal with by the members who do not have the—I'll put the word—"guts" to come up and say something themselves, that I decided to do it myself. I will give you something of my background. Many years ago, in 1911 in fact, I started firing in Revelstoke, fired a year and quit and went homesteading and later on, I was not satisfied and I went back to railroading. So I started back in Sutherland and landed up in Moose Jaw. What I am dealing with is that taking off the "Dominion", practically stopped retired people, and others as well, from having a chance to use their passes. Many years ago, and not too many at that—

The CHAIRMAN: Excuse me, Mr. MacKenzie. Are you dealing with the subject of passes.

Mr. MACKENZIE: That is, on account of taking off the "Dominion". When the "Canadian" first came on, we were not allowed to travel in that at all, and later on when they had downgraded the "Dominion" and practically taken it off, they gave us limited, and very limited services as far as passes are concerned.

In fact, two years ago my wife and I went to the old country, and we bought a boat trip from the CPR and paid them a lot of money both ways. I went out on one car on an upper berth; my wife went out five cars ahead of me on another upper berth. That was the kind of service we got as pass holders. It has not changed a great deal. Just recently I had occasion to go to the east and I phoned down. I was a little sneaky there; I did not tell them that I was on a pass, otherwise they would not have looked at me. They told me I could not get an upper berth, but that I could acquire a roomette. I said, "That is fine." That was on a Monday, and on the Wednesday night that I was leaving, I went down in the morning to pick up the fare and they informed me that I could not have it. That is one of the rules and regulations that a person must appear one hour before the train leaves, and if there are any left you get it, so I went down in the morning and as I told you I could not get it and in the evening I went down again and I was right there at the time, one hour before, and nobody had bought that particular berth or roomette so I was able to get it. Well that was all right, I went down to Moose Jaw. The weather was so bad there I got my business done and I only stayed for two days. I went to our station agent down there whom I know very well and I asked him what were the chances for a berth, he said none, but he said that he could give me a day coach "if I wire Winnipeg." So he wired Winnipeg and I had the privilege of riding on the day coach back to Vancouver at half-fare and when I tried to stretch out on those seats, I could see one or two with the same problem down there, my feet were sticking about that far out in the aisle and that is not very nice sleeping when you get around our age. When the "Dominion" was on, we did have pretty good pass privileges and the story has been refuted by the CPR that it was pass privileges part of our remuneration. Well I think that they have been taken away from us almost completely since they did away with the "Dominion". That is why I am opposed to taking the "Dominion" off, I am possibly a little selfish, but I am speaking for a lot of them that did not have the nerve to come up and do it themselves.

Mr. PASCOE: Mr. MacKenzie this question has been brought to my attention in several other cases. Yours is a personal experience but you say that there is a large number of others complaining in the same vein as you are?

Mr. MACKENZIE: Correct. I will even quote names Mr. and Mrs. Alex Johnson are going to Sweden, and they had to buy a berth to Montreal half-fare to get reservations to go to Montreal so that they could catch their reservations from Montreal.

Mr. PASCOE: You referred to pass privileges on the "Dominion", did you get on at that time without any payment except for your berth?

Mr. MACKENZIE: That is right. You just paid for your berth and if they did not have a berth you could ride the day coach without any additional payment.

Mr. PASCOE: And now on the "Canadian", you have to pay half fare?

Mr. MACKENZIE: That is right.

Mr. PASCOE: You stated that at least, you regard the pass privileges as part of your remuneration?

Mr. MACKENZIE: Correct.

Mr. PASCOE: Do you think that the company picked up the same option?

Mr. MACKENZIE: I have heard since that they never did regard it as that but I do know that for many years I was president of the firemen before I went into the engineers and that was always part of the story that came up when it was a case of speaking on wages. The company is supposed to figure that you get about \$300 worth of passes per year.

Mr. PASCOE: Do you consider that pass privileges should be part of your retirement allowance?

Mr. MACKENZIE: Correct.

Mr. PASCOE: I am certainly glad that you brought this up, as I say I had other feelings on the same thing and I am glad you put it on the right hook. Thank you, sir.

The CHAIRMAN: Now then we have Mr. Saltzman, Mr. Olson, Mr. Fawcett and I would ask you to restrict your questions on the point of order. Mr. Saltzman.

Mr. SALTSMAN: I am most interested in the presentation he has made. Perhaps it leads to another question that has been raised from time to time in Canada regarding the possibility of extending half-fare privileges to all retired people, as a way first of all of stimulating transportation, and, secondly, providing them with an opportunity of seeing Canada. What I would like from you, is an opinion, since apparently you have some communication with people in this age bracket, how do you feel such a program would work?

The CHAIRMAN: I do not see how that has any relation to our terms of reference, Mr. Saltzman. Would you like to rephrase it in another way to tie in with CPR passenger service?

Mr. SALTSMAN: As a way of providing revenue to stimulate passenger service; could you give an opinion on that?

Mr. MACKENZIE: I know many people think that an engineer gets a great big pension and he is well able to pay his own fare. I get \$132.60 a month which I do not think goes very far. In fact, my rent in Vancouver is \$133 a month, so I am afraid I am either going to get some other source of revenue or get kicked out.

The CHAIRMAN: That is the problem we have with pensioners period.

Mr. OLSON: Firstly, I would like to commend you for your courage in coming here and also to thank you for the information which I think was extremely useful to the members of the Committee. We have heard some of these rumours and probably hearsay evidence to this effect before, but now we have it directly from one who has had the experience. There is one question that I want to ask you about the problems that you had in getting a berth, firstly from Vancouver, but particularly from Moose Jaw coming back. You said that you were denied the opportunity of obtaining a berth, even though you were going to pay half fare plus the full price of the berth.

Mr. MACKENZIE: Actually those two do not go together. You pay half fare on the day coach but when you buy a berth there is no fare to pay. The berth is a pass, you pay for the berth and that is all you do pay for, but on the day

coach you have to pay half fare. You do not have a berth. I did ask one question. I said, suppose I get on the train and there is a berth open, can I turn my money that I paid for the day coach in as part payment on the berth and he said "no, that is gone".

Mr. OLSON: I want to be clear on this point, in so far as these pass privileges that were supposed to have been transferred from the "Dominion" to the "Canadian" are concerned. When you asked for a berth on the "Canadian" you were not given any consideration at all except during the last hours. Is that correct?

Mr. MACKENZIE: That is correct.

Mr. OLSON: Therefore, there has been no comparable privilege passed on to the "Canadian" to what you had on the "Dominion".

Mr. MACKENZIE: That is right.

Mr. FAWCETT: Well, Mr. Chairman, the last two questioners have cleared up a point that I wanted to be clear on the record, namely the half fare situation, also the fact that when you buy space you pay the full price, and I think that should be clear on the records. My questions were related to that and they have been covered.

Mr. OLSON: Mr. Chairman, one supplementary question: if you had been willing to pay the fare in this situation in Moose Jaw, would you have been able to get a berth from Moose Jaw to Vancouver?

Mr. MACKENZIE: Mr. McDermott, the agent there, who is a very good friend of mine, said no. He said I could not get a berth for over a week, and it was about fifteen or twenty above zero down there and a lot of snow.

Mr. OLSON: What time of the year was this, Mr. MacKenzie.

Mr. MACKENZIE: Just about a week ago. That is correct, gentlemen. They had a bad storm down there.

Mr. PASCOE: Is that usual weather for Moose Jaw? I want to say that is not usual weather.

The CHAIRMAN: I want to thank you on behalf of the Committee for appearing before us and as Mr. Olson says it is refreshing to have an individual presentation before this Committee rather than an organizational one. Thank you very much.

Mr. MACKENZIE: Thank you, gentlemen, for a very courteous hearing.

The CHAIRMAN: Thank you, Mr. MacKenzie. Members of the Committee, I do want to bring to your attention a matter that has been brought to my attention by a number of members of the Committee. It was my intention to proceed with Mr. King's brief this afternoon at 2.30. It will be the last brief that we will be hearing in the city of Vancouver but before we commence with the brief this afternoon I want to say that a number of objections to the brief have been brought to my attention, namely that the brief deals mostly with criticism of the Board of Transport Commissioners' decision with respect to the "Dominion" and how they went about arriving at their decision. I would like to suggest to Mr. King that during the lunch hour he might read over his brief

very carefully, because I submit that most of it would be out of order before this Committee. We have no power or right to deal with a quasi-judicial decision that is on appeal before the Privy Council now with respect to how they arrived at their decision, or why they arrived at their decision. We are only concerned, Mr. King, with the views of the Brotherhood. We want to hear them with respect to, as our terms of reference set it out, present and future passenger service on the Canadian Pacific railway, and anything dealing with how the Board of Transport Commissioners arrived at their decision and your criticism of their decision really have nothing to do with this Committee. We may be dealing with the same subject, but the criticism of the Board is not for us to deal with. I want to bring this to Mr. King's attention because perhaps he could look over his brief and cut out the part that might be objectionable and leave in the part that we are mainly interested in. I discussed this with him, but I bring it up before the Members now.

Mr. OLSON: May I say something on this point of order?

The CHAIRMAN: Yes, Mr. Olson. I wanted just to bring up a general discussion of interest: that this has been an objection that has come to me from a number of Members of the Committee.

Mr. OLSON: I understand your point, Mr. Chairman, about criticizing the Board of Transport Commissioners, particularly when their decision is under appeal to the Privy Council.

The CHAIRMAN: It has nothing to do with the appeal; it is a matter of criticism of the Board.

Mr. OLSON: That is the point that I am coming to. As I see it, of course, up until the present time the regulatory body, so far as the Federal Government is concerned, in administering the whole Railway Act, including the passenger train service, has in fact been the Board of Transport Commissioners. It seems to me therefore that if any individual or group of individuals believe that this regulatory body has not been in fact acting in the public interest, that within the limits of good taste and so on, they ought to have the privilege of criticizing that action before this Committee, because we are going to make recommendations, I presume on the railway passenger service and policy and administration for the future.

The CHAIRMAN: Correct. I am not making any ruling, but, I think it was fair that I bring to Mr. King's attention, and to the attention of other members of this Committee, that there are items in the brief that might be out of order. I do want Mr. King and the members of the committee to look at it over the lunch hour, so that we may be prepared for any points of order that may come forward on it.

Mr. BELL (*Saint John-Albert*): I think that Mr. Olson has not been exact enough. I think that any criticism of the board in the way it operates and their lack of ability to get the type of information we may want is certainly in order, but to criticize the reasons on which they based a decision, as has been suggested, certainly would not be desirable.

The CHAIRMAN: That is why I suggest to all Members to carefully read the brief over the lunch hour.

Mr. KING: May I have an opportunity to make an observation. Thank you, Mr. Chairman. It struck me, gentlemen of the Committee, that surely, the purpose of this hearing is to review the evidence that was presented to the hearings of the Board of Transport Commissioners last year, and certainly you must have the necessary authority to review the decision that the board handed down, otherwise, I can see no purpose in this hearing, and to criticize the Board, not so much the Board, but mainly the basis on which their hearings were conducted, should be the fair prerogative of the Unions, and the communities and the individuals that are affected by the board's decision. This was not intended as any snide attack on the Board of Transport Commissioners but, as Mr. Olson has pointed out, since they are the regulatory authority over our employment, over our relationship with our employer, I think that it is fair and just that we should be allowed to make some observations on what we think are their deficiencies.

Mr. BELL (*Saint John-Albert*): You cannot criticize the application of that evidence by the board in coming to a particular decision.

The CHAIRMAN: There is no intention of restricting you in the evidence that you wish to present, even if it was presented to the board; but in your own words I would say now that I would doubt whether it is in order to criticize the basis on which the hearing was conducted. That is not the function of this Committee. We are governed by our terms of reference, and I disagree with you, Mr. Olson, but I am not making any ruling. I ask all Members to consider this over the lunch hour, and then the brief will be presented in full.

Mr. KING: Thank you, Mr. Chairman. If the members will instruct me on any contentious clauses that they might wish to have deleted, why I would—

Mr. CHAIRMAN: Well, I think, it is only fair that I bring this matter up now, Mr. King, because it was brought to my attention. I thought it fair to bring it to your attention and to the attention of the other members. I ask you to read over the brief, very carefully during the lunch hour in case any points of order are brought up by the members. I thought it was only fair to you, Mr. King to bring it to your attention.

Mr. BYRNE: He made representations to the board?

Mr. KING: With this identical brief, you mean? No. We made an original presentation to the Board of Transport hearing in Calgary last year. Now if I am not going to be allowed to analyze the results of their decision, all I would be doing is coming back here with exactly the same story that I presented to the Board of Transport, and it has already been adjudicated.

Mr. BYRNE: The terms of reference do not deal specifically with the "Dominion". We will make an inquiry.

The CHAIRMAN: I am sure that once we go through the brief we will be able to find that you are in order. The copies of the brief have been distributed but I think it is fair to point out that the mere criticism of how the board arrived at its decision is not within our terms of reference and this Committee has no power to deal with it. Read over the terms of reference Mr. Olson, I know you are familiar with them.

Mr. OLSON: Let me give you one example. I am severely critical, as the provinces of Alberta and Manitoba are severely critical, of the fact that there

were only 12 days allowed by the Board of Transport Commissioners from the time notice was given until the hearings were held. Surely, this is a basis upon which the hearings were held, and if you think that is an inadequate time, you can criticize that.

The CHAIRMAN: I am not arguing, Mr. Olson, with respect to the brief that Mr. King wants to present or anyone else. We have had many briefs presented before the Board of Transport Commissioners hearing that were presented before this Committee, but I do feel right now, unless my mind is changed later on, that the mere fact that they were allowed 12 days has nothing to do with us. If they were allowed 12 days to present their brief it has nothing to do with how the Board of Transport Commissioners conducted their hearing and it has nothing to do with this Committee. This is what I feel at the present time. If members of this Committee change my mind, that is fine.

Mr. OLSON: I have one suggestion. As a result of that decision a transcontinental train has disappeared. Surely, that is within the terms of reference of what we can review in making recommendations to the people.

Mr. CHAIRMAN: I put it to all Members, that the basis on how the Board conducted its hearings has nothing to do with this Committee. But certainly we are concerned with the presentations made at the Board, and we are concerned with the decision arrived at, but the basis on which the hearing was conducted, I suggest, is not within the power of this Committee, or how the Board of Transport Commissioners conducted their hearing.

Mr. KING: May I make one more observation, please. In the minority decision handed down by Mr. Commissioner Kerr, he states the following:

"In concurring in the judgment of the Chief Commissioner and Mr. Commissioner Woodard, I must make this reservation. In formulating my opinion, I have not weighed the economic or social impact upon communities. In my opinion, these are not matters to be considered or weighed by the board in the discharge of its duties under the Railway Act."

Now there is a conflict in the judgment of the commissioners themselves as to just what prerogative they have. Surely, I should be allowed to speculate to some extent on the same level.

The CHAIRMAN: All I am saying to you, Mr. King, is to look over this brief carefully during the noon hour because there are questions that are going to be raised by Members of this Committee. We will deal with them when they arise.

Mr. LESSARD: Do you think we can be back here by half past two.

The CHAIRMAN: There are buses available downstairs now to take the Committee members to lunch and to bring them back; there will be transportation to bring them here by 2.30.

AFTERNOON SESSION

The CHAIRMAN: Gentlemen I would start this meeting with the presentation of the deputation of the Brotherhood of Locomotive Firemen and Enginemen and Mr. King's presentation on their behalf. The matter was discussed before

the adjournment. I think I have resolved with Mr. King the reasons for the discussion earlier, and what this Committee is interested in and what it is after. I think we pretty well understand each other now and what the purpose of this Committee is. Therefore, Mr. King can proceed with his presentation. His presentation will consist, not only of the brief that was presented to you—there are parts in it of course, which affect us very seriously, and there are parts which do not affect us at all, I leave it to your questioning and we will work by ear there—but additional information.

Mr. W. S. KING (*Legislative Representative, Lodge 341, B. of L. & E.*): Thank you. I will ask you first of all Mr. Chairman to grant me a little indulgence. I have contracted this bad cold; my voice is rather hoarse, and so I hope you will bear with me.

To the standing committee on transport and communications, re: the discontinuance by Canadian Pacific Railway Company of the transcontinental passenger train, the "Dominion."

The Revelstoke membership of the undersigned organization appreciate this opportunity to appear before your Committee and make known our views concerning the Pacific Railway's decision to abandon the "Dominion," and the Board of Transport Commissioner's subsequent approval of their decision.

In view of the fact that I have appeared before the board hearings in Calgary, on October 13, 1965, and presented a brief on behalf of our local groups, it would seem unnecessary to me to reiterate our opposition to the discontinuance of the "Dominion", as all submissions made to the board must surely be accessible to your committee.

Rather it would seem more appropriate at this time to examine the over-all circumstances under which the hearings were conducted, and the basis on which the Transport Commissioners rendered their decision.

We must state at the outset that the board hearings were staged in such a manner as to give Canadian Pacific an unfair advantage over those appearing in opposition to the proposed abandonment of the "Dominion". The time afforded to those who wished to oppose the CPR's move was but a few weeks. While this allowed time to prepare briefs, it certainly afforded no opportunity to compile the type of statistical evidence necessary to factually document our submissions. That our inability to provide such statistical documentation strongly impaired the effectiveness of our submissions, it was manifestly evident from the light manner with which the Board of Transport Report deals with them. Conversely the CPR keeps a continuing record of their operations, and were able to appear before the hearings replete with statistical information, interpreted by batteries of accountants, lawyers, statisticians and research experts.

Since Canadian Pacific has been through similar hearings previously, it should not seem unfair to assume that they anticipated such hearings in this case, and hence set their formidable force of professional talent to work far prior to the hearings to develop a strong case for abandonment, supported by their own slanted statistics. Perusal of the Board of Transport Report, with its preponderance of space devoted to CPR evidence, quotations by CPR officers, and complimentary concessions of distinction (re: Mr. Warren, page 34), would indicate that the board was very receptive.

We must also state that it is our most emphatic contention that the Board of Transport Commissioners lack the facilities and the wide scope of authority necessary to adjudicate legally such a case. This opinion is supported by the individual report of Mr. Commissioner H. H. Griffin, in the last paragraph of page 90 when he states:

In concurring in the judgment of the Chief Commissioner and Mr. Commissioner Woodard, I must make this reservation. In formulating my opinion I have not weighed the economic or social impact upon communities. In my opinion these are not matters to be considered and weighed by the board in the discharge of its duties under the Railway Act.

That such a divergence of opinion as to the board's responsibilities and prerogatives prevail among the commissioners, indicates very graphically their inability to adjudicate the issue in the light of all its attendant ramifications. Further divergence of opinion, indeed confusion, as to their own authority, is in evidence on page 81 of the board's report, when Commissioners Kerr and Woodard state the following:

The Railway Act does not lay down any policy or principle that the board should follow in determining what passenger trains shall run. The policy of the board, uniformly applied throughout Canada has been to judge as best as it can the need of the public for train services, and decide whether loss and inconvenience to the public, consequent upon discontinuance of the train service is out weighed by the burden that continued operation of the service would impose upon the railway to such an extent as to justify discontinuance of the service.

This section of the Report supports the previously referred to contention of Mr. Commissioner Griffin, in so far as the board's authority to weigh the social and economic aspects of the issue are concerned. Their acknowledged lack of authority in this area, indicates that their superficial attempts to deal with these issues are ineffective, and hardly can be taken seriously. On pages 50 and 51 of the board report, this statement appears:

While there has been some increase in the staff, it is still relatively small, and will have to be increased if the board will be required to determine railway deficits in passenger services, branch lines and carriage of grain for the purposes of subsidy payments, recommended by the MacPherson Commission and the cost of carrying certain freight for rate purposes, for precise cost determinations will be thereby increased.

This statement once again bears out our position, that the board lack the authority, the precedent or the wide ranging facilities necessary to deal with the abandonment of a transcontinental service. The national and historical nature of this situation places it beyond the normal realm of the board's ability and prerogative.

Mr. Chairman, we submit also that the board has applied false premises to this case in arriving at their judgment. On pages 41 and 80 of the board report the Commissioners rely heavily on the judgments of Locke J. and Rand J., in the case of Patchett and Sons Ltd., versus Pacific Great Eastern Railway Co., in an effort to relieve Canadian Pacific of their obligation under Section 315 of the Railway Act. The Patchett case deals with the situation wholly dissimilar from

the discontinuance of the "Dominion", in that a labour dispute prevented the PGE from providing a service in that case. To equate these two situations is to disregard the representations of hundreds of individuals, organizations and communities from across the Dominion of Canada, who testified that Canadian Pacific intentionally torpedoed the service provided by the "Dominion" without interference or assistance from any third party.

On the one hand, we have a company service halted by a picket line, and on the other hand, we have a company determined to get out of passenger business in order to avail themselves of the more lucrative profits to be realized in freight business. The board's failure to acknowledge this distinction exonerates Canadian Pacific from the charges of all those who have appeared in opposition to the discontinuance of the "Dominion". In so doing, they insult our integrity and make a mockery of the invitation that was extended to interested parties to appear at the hearings and testify. Had we known that CPR evidence would be accepted *carte blanche* while ours would be totally disregarded, much time and effort might have been saved by all concerned.

Perhaps the most objectionable portion of the board report, from our point of view, is the light manner in which it deals with dislocation of employees. On pages 4 and 5 of the board report, "evidence as to what displacement of railway employees will result from the discontinuance of the 'Dominion' is invited". Acknowledgement of such employee dislocation is contained on page 41 of the report with the following paragraph:

The discontinuance of the "Dominion" will cause displacement of employees, and loss of employment. Many of those displaced will find other employment with the company by "bumping" men with less seniority or by moving to another locality or in other ways." This is not unusual in railroading, but the fact that it is not unusual does not mitigate the disadvantages and loss that will flow from displacement.

Having so established that dislocation, job loss and hardship will indeed accrue to many employees, the commissioners assert that the "Dominion" should not be maintained simply to avoid this eventuality. We would have to agree with this position, if all other factors indicate discontinuance, a premise which we are not prepared to accept. What we do find peculiar, however, is that the commissioners fail to recommend any remunerative relief from job loss and dislocation to the employees. We are struck by the commissioners' constant reference to the findings and recommendations of the MacPherson Royal Commission, as a basis for their favourable decision to the company. This reliance upon the MacPherson Report is outlined in the following paragraph which is found on page 83 of the board report:

I have referred to the findings and recommendations of the MacPherson Royal Commission. The findings and recommendations of the royal commissions have very considerable weight and although the board is not bound by them and some of the recommendations have not yet been implemented by legislation, I have given them the very careful consideration that they deserve.

Mr. Chairman, a more recent occurrence than the MacPherson Report was the establishment of a judicial inquiry under Mr. Justice Samuel Freedman to

inquire into the effects of CNR runthroughs. The Freedman Report similar to the MacPherson Commission Report simply provides the government with the basis for proposed legislation in its particular area of concern. The government is not bound to implement all, or for that matter any, of the recommendations of such tribunals. The Freedman Report in dealing with management's right to introduce changes in working conditions during the closed period of a contract states the following on page 136:

Their contract was made on the basis of one set of circumstances. Now it must be performed on the basis of another set of circumstances, devised by management alone and to which they have given no consent. There is a manifest inequity here which clamours for attention and correction.

That the board report fails to take cognizance of the obvious applicability of this area of the Freedman Report to the question of the "Dominion" as it relates to the employees is strange indeed. Perhaps, sir, we can be forgiven for drawing rather cynical conclusions from this obvious inconsistency. The similarity between the two areas of concern are quite clear when we consider the facts:

- (a) Dislocation and loss of employment where central issues in the CNR runthrough case, and the CPR "Dominion" issue.
- (b) Changes in working conditions resulting from company action during the closed period of a contract, are incontestable factors in both cases. Restrictions on employee pass rights being but one.

And that is intended to be in the "Dominion" case alone.

The Freedman Report goes on to make some specific recommendations regarding the procedure which should be followed when the railways plan changes which will materially affect established working conditions. The gist of these recommendations is that the railways failing to obtain the immediate consent of the unions should hold off implementation of proposed changes until contract negotiations allow all the unions involved an opportunity to ensure protection for their members. This recommendation recognized the obvious gap in the "Industrial Relations and Disputes Investigation Act", which allows an employer to effect changes during the closing period of a contract, which will largely circumvent many of the provisions of said contract.

Much has been said by people in high public office regarding the need for government, management and labour to co-operate in meeting the change brought about by modern technology, and administrative innovations necessitated by the need to meet strong competition. It is not our desire or purpose to oppose such changes when they will contribute to the general economic good of our industry and country. We are, however, becoming increasingly tired of assurances from all and sundry, that the disruptive human factors of such changes are recognized. Recognition without appropriate action contributes little to ease the grim reality of loss of employment or home, which is the inevitable effect of many such changes. Management proceeds with these changes without the offer of negotiations or even consultation of the effects with their employees. When a resultant crisis, such as the CNR tie-up of last year ensues, a government appoints inquiries or royal commissions to investi-

gate. In the meantime the employees are bearing the full burden of personal economic chaos brought about by conditions that business and government allegedly recognize. If there is a genuine desire for labour's cooperation, steps must be taken immediately to plug the gaps in the "Industrial Relations and Disputes Investigation Act", which allows management the arbitrary right to by-pass negotiations. Failing such action, we can only predict more inquiries in the future, necessitated by similar circumstances to that under which the Freedman inquiry was born. At the present moment there are people in Revelstoke and Kamloops who are in the aforementioned position due to the discontinuance of the "Dominion".

In conclusion we must assert that in the first instance we do not think that a valid case has been established for discontinuance of the "Dominion". In the face of the CNR experience with aggressive passenger promotion, and the widespread public opposition to the CPR's move, a lack of potential patronage is not indicated. More time is needed for municipalities, organizations and individuals to obtain the type of statistical records necessary to present a serious case. Much has been said of the CPR's deliberate attempt to discourage passenger patrons. As employees in close contact with the operation of these trains we must agree with these charges. We, therefore, recommend that the services provided by the "Dominion" be restored for a period of one year, with its full complement of dining and sleeping facilities. At the expiration of one year your committee should hold hearings, with additional representations from the company, and all interested municipalities, organizations and individuals. On the basis of these representations which have been compiled with equal opportunity to all concerned, your Committee should decide the following:—

- (a) Has the one year's experience indicated that patronage of the train fairly warrants its maintenance?
- (b) Has the company sincerely attempted to provide the public with a speedy and comfortable vehicle of transportation at reasonable cost?
- (c) Does the public need for this transportation warrant a government subsidy to assist in maintenance costs?
- (d) If discontinuance is indicated what assistance should be extended to areas adversely affected?
- (e) If discontinuance is indicated a firm commitment should be required from the Company to negotiate with the employees' respective unions any dislocation, loss of employment or material changes in working conditions incident to such action.
- (f) Satisfactory conclusions to all these questions should be obtained before discontinuance is allowed.

We respectfully commend this formula to your committee, sir, as a fair and reasonable manner of disposing of the issue with adequate protection afforded to all concerned.

W. S. King, Legislative Representative Lodge 341, B of L, F and E

M. H. Tetlock, Legislative Representative Division 657BLE and A. McCaskill, president, Lodge 51, BRT.

Now, I have two letters in addition to this, Mr. Chairman, endorsing this brief. The first one is from the Corporation of the City of Revelstoke:

Mr. W. S. King: The city council has been very much concerned about the curtailment of passenger service on the main line of the Canadian Pacific Railway. We are anxious to co-operate with you, Mr. Tetlock, and Mr. McCaskal, representing your various groups in your efforts to bring the matter to the attention of the standing committee on transport and communications. We concur in your brief and are pleased to support it. (signed) Mayor A. W. Mandell, Mayor of Revelstoke.

And an additional letter from Lodge 258 of the Brotherhood of Locomotive Firemen and Lodge 519 of the Brotherhood of Railroad Trainmen at Kamloops.

Dear Sir: The joint Kamloops lodges B of L, F and E, No. 258 B of R T No. 519, wholeheartedly support and endorse the brief presented to the Committee by the Revelstoke Railway Lodges of the B.L.E. the B.R.T. and B of L, F and E. (signed) Yours Truly, K. C. Delene, Lodge 258, and J. A. MacDonald, Lodge 519.

Mr. Chairman, in addition to this brief, as additional evidence, of the charges that are contained in the brief, and there are charges that were directed to the board hearings against the company in their attempt to discourage passenger patronage, I think this list of accommodations, sleeping accommodations from Revelstoke to Vancouver, will serve as an excellent indication of the tactics that this Company has resorted to, in order to kick the people in the teeth.

Mr. BOULANGER: A list of what did you say?

Mr. KING: The cost of sleeping accommodations between Revelstoke and Vancouver.

The CHAIRMAN: I will take a motion to have this printed as a part of the brief presented by Mr. King. Moved by Mr. Lessard, seconded by Mr. O'Keefe. All in favour—

Motion agreed to.

Mr. ROCK: Could you explain this?

The CHAIRMAN: Sleeping car supplementary, Revelstoke British Columbia and Vancouver, British Columbia. Type of accommodation—May 1 to 31, 1966 and carried from June 1 to September 30, 1966.

Mr. King will explain—

Mr. ROCK: I cannot understand exactly what you said.

Mr. KING: This is submitted for the purpose of indicating to your Committee that the unprecedented hike in the cost of sleeping accommodations is completely unjustified, and has been established for one purpose, and that is to discourage patronage. For instance, let me give you the most graphic one. As of May 1, 1966, a drawing room will be \$46 between Revelstoke and Vancouver with \$3.50 for an additional passenger. As of June 1 to September 30, 1966, a drawing room from Revelstoke to Vancouver will cost a member of the travelling public \$55, for an overnight trip from Revelstoke to Vancouver, with \$4 for an additional passenger.

Mr. ROCK: How many miles would that be?

Mr. KING: It is approximately 375 miles. But it is simply an overnight trip. You get on the train in Revelstoke at 22.35 and arrive here at 10.45, some 12 hours. I might point out that the previous rates prior to October of 1963, for a drawing room, was \$14, and now it is \$55. Now if this is calculated to attract passenger patronage, then we have a queer sense of logic.

Mr. HOWE: How many drawing rooms are there on a train.

Mr. KING: I could not tell you that.

Mr. OLSON: There are comparable rises in the rates in other types of accommodations.

The CHAIRMAN: I think we better take these questions in order and wait for Mr. King's statistics.

Mr. ROCK: It is too bad that we do not have copies of that, Mr. Chairman.

The CHAIRMAN: There are copies for some of the Members.

Mr. KING: I think that the Committee will agree that that list of accommodations will serve as an excellent indication to you of the aggressive manner with which this Company is attempting to discourage passenger business, rather than attract it. There is one other factor, Mr. Chairman, which I would like to bring to light at this time, and that is the 1965 annual Report from Greyhound Lines of Canada Ltd. Perhaps, in this regard, a review of the stock market activity in the past few years of the company would serve as some indication of the patronage that is available to the carriers of Canada. Stocks were selling on November 5, 1964 on Greyhound for \$13.25; as of January 20, 1965, they had increased to \$14.25, a rise of \$1. But at the present time they have jumped to \$18 which is a \$4 hike. Well they must be carrying someone. I suggest to the Members that they are indeed picking up the patronage that the CPR is discouraging. It is interesting to note, too, that on the second page of the annual report, this statement appears:

Throughout 1965, Greyhound, trans-Canada highway service has given Canadians and visitors ample opportunity to explore Canada in comfort. They did not hesitate to avail themselves of this service, and your Company recorded a total of 139,588,000 passenger miles along the renowned super-highway. This figure represents an increase of more than 15 per cent over the previous year's trans-Canada highway operations.

I suggest to the members of the Committee, Mr. Chairman, that this does not indicate any lack of patronage on the part of the common carriers of Canada. I would file this with your Committee for your perusal also. I think in this regard a further investigation that might prove interesting is a comparison of the fares between similar points of the Greyhound Lines, and the Canadian Pacific Railway; they are both in the passenger business.

Mr. CHAIRMAN: May I have a motion to file the 1965 annual report of the Greyhound Lines of Canada Ltd. Moved by Mr. Southam seconded by Mr. Carter.

Motion agreed to.

Mr. CARON: I would like to know the plane rates from Calgary to Vancouver.

Mr. KING: I do not have that.

Mr. CANTELON: It is \$32.

The CHAIRMAN: I think we had better have a little order in this chamber, and no interjections for questioning until questioning begins. Mr. King, will you continue please.

Mr. KING: Well that is really the extent of my submission, Mr. Chairman.

Mr. BELL (*Saint John-Albert*): Before the questions begin, I would like to learn the relationship between your Brotherhood and the National Brotherhood of Locomotive Engineers insofar as their national briefs are concerned.

Mr. KING: We are an autonomous union; they are the parent labour body of the various organizations. This brief was compiled through our own local interest in the issues involved in this case. There has been no consultation with the national offices.

Mr. BELL (*Saint John-Albert*): And in so far as the appearances before the "Dominion" discontinuance hearings are concerned, did you appear as well as the national brotherhood, or was there just the national brotherhood in that case.

Mr. KING: No, I made representations to the board hearings in Calgary. I believe I was in Calgary in October of last year, on the same basis as I am making this representation.

Mr. ROCK: On the sleeping car supplementals from Revelstoke to Vancouver, this covers from October 1963 to September 30, 1966.

Within this time was there any hikes in pays for the workers and what percentage did they have?

Mr. KING: I believe that the Brotherhood of Locomotive Engineers were fortunate enough to avail themselves of a one percent increase at some period during this time. I cannot answer that with any degree of assurance; I am not positive.

Mr. ROCK: I cannot understand why you cannot keep track of negotiations—

Mr. KING: Pardon? There has been no new contracts negotiated.

Mr. ROCK: Since 1963, have there been no hikes in the wages of your employees, the people working in sleeping cars, the trainmen?

Mr. KING: I could not say with any degree of assurance whether there were some of the labour organizations which have negotiated new contracts with—

The CHAIRMAN: Mr. Rock, I think that Mr. Fawcett indicated that he had questions to ask.

Mr. FAWCETT: Mr. Chairman, I think that small graduated increases amounted to, I would say, about 4½ percent to 5 percent. As far as the trainmen were concerned and they would be involved in this. Now, about your organization, that I would not know.

Mr. KING: This is the point, we are not all under one contract: we each have separate contracts with the company. For instance, the Brotherhood of Locomotive Firemen and Enginemen has a contract governing their members. To my knowledge we have had no increase in that period.

Mr. ROCK: It would be nice Mr. Chairman, if this gentleman, when he took the trouble to prepare this had also taken the trouble to balance that with what increases there were in salaries. Now we have to start finding this out from somewhere else. You present a case two ways, not just one way.

The CHAIRMAN: Well, Mr. Rock, the witnesses have the privilege of presenting a case in whichever way they see fit and if you wish to question them on it you are free to do so, but to make a statement on how they should present it is not right.

Mr. KING: I attempted to answer the hon. gentleman and I would suggest further to him that that information is available to him in the same manner in which I would have to go to obtain it.

Mr. ROCK: You are representing the labour party, I would think that you would have that at your finger tips.

The CHAIRMAN: Well, let us see if we can get into another line of questioning on this matter.

Mr. CARTER: I just want to ask some very brief questions. My first question is: Have your organizations made any representations, along the lines indicated in your brief today, to the Cabinet; that is, considering the appeal against the decision of the Board of Transport Commissioners?

Mr. KING: Yes, I think the Canadian Railway Labour Executive Association in their brief have pointed out the need for remedial amendments to the Industrial Disputes and Investigations Act.

Mr. CARTER: I was just wondering about whether you yourself have taken any initiative, as you have done today, to bring the same arguments before the Cabinet who are considering the appeal?

Mr. KING: No, not in the way of a brief or anything along those lines.

Mr. CARTER: The only other question I wanted to ask, Mr. Chairman, is probably one that the witness cannot answer, but possibly the clerk or somebody can. On page 4, the brief refers to the Freedman Report and it says that the board report failed to take cognizance of the obvious applicability of this area of the Freedman Report on the question of the "Dominion". My question is: Was the Freedman Report available at the time the board handed down its decision?

Mr. KING: Yes, it came out; the Freedman Commission Report was handed down in November, I believe, and the Board of Transport Commissioners released their reports on January 7. I cannot find the date on the board report, but they concluded the hearings on November 4, which was prior, I believe, to the time, or approximately the same time as the Freedman Commission Report was released. Strange that no date appears on this board report.

The CHAIRMAN: January 7, 1966. The Freedman Report came down before that.

Mr. KING: Yes.

Mr. CARON: You said that a stateroom from Revelstoke to Vancouver around 1963 was about \$13.00?

Mr. KING: \$14.00.

The CHAIRMAN: \$14.00, thank you.

Mr. CARON: In 1965 or 1966 there was an increase to \$55.00?

Mr. KING: \$55.00.

The CHAIRMAN: That is \$12.00 for one, \$14.00 for two. Under the new rates it would be \$55.00 for one, \$59.00 for two.

Mr. KING: That is right, as of June 1.

Mr. CARON: When I asked the price of the air plane trip, I was told that it was \$37.00 from Calgary—much farther from Vancouver—so there is something that is not right there. The rates are much too high from Revelstoke to Vancouver compared to what it is from Calgary to Vancouver. That is what I wanted to point out.

Mr. SALTSMAN: You have made some criticism regarding the manner in which decisions are made to discontinue passenger service. I think I am being as mild as possible, Mr. Chairman. What suggestions do you have for future hearings or what type of organizations do you envisage for future hearings?

Mr. KING: I support the proposal placed before your Committee by the previous witness, or one of the previous witnesses, who stated that there should be one national authority as a regulatory power over all transportation policies. I think that this is the only manner in which—I should say that I do not believe that there is any present tribunal that has the wide scope of authority necessary to do this in the best public interest on a national basis. I think that it has been piecemeal and I am not pointing the finger at anyone, particularly with criticism on this, but I think that there is no tribunal presently charged and granted the authority to forward a national transportation policy. Consequently, it has been a piecemeal attempt that has beclouded the issues and I do not think it served the best interests of the communities.

Mr. SALTSMAN: Aside from the matter of authority, I think you should cover the question of research into the whole problem. Is it your feeling that whatever that authority may be, the research and investigatory facilities should be improved and strengthened.

Mr. CHAIRMAN: Mr. Saltsman, would you get closer to that mike please there is difficulty in hearing your voice. Would you ask your question again please.

Mr. SALTSMAN: Is it your contention that more than just power administrative strength is required, that research and investigatory techniques would have to be increased and made available to whatever group looks into this matter?

Mr. KING: Yes, I feel this very strongly and I think it is supported by the board's judgment wherein they make reference to the shortages in their staff to keep pace with the need for cost determination in the modern transportation

age as it relates to not only freight business but passenger business too. Without the staff to conduct a detailed analysis of these areas, then consequently they are somewhat inhibited in their ability to make a comprehensive study of it and a report on it. Along this line I might add, if I may, that another point that the employees resent very strongly was touched upon by one of the previous witnesses and this is in respect to our pass rights. The board, here again, apparently has not the responsibility to recommend any benefits when pass rights or other established rights have been removed from the employees, have been taken away from them. Apparently there is a gap with no one having the responsibility to force the companies to negotiate these issues with the employees. In the meantime, the employees are the ones who are suffering. So there does seem to be a gap there where neither government nor the Board of Transport Commissioners, or indeed any organization, has the responsibility or the authority to require the companies to negotiate these things with their employees.

The CHAIRMAN: If I may interject Mr. Saltsman and Mr. King, I put this as a query to you: do you feel that this matter of employees' pass rights is a matter for negotiation between your union and management when it comes to contract time? I put it as a query because it does not fit in, but since it has arisen, I think that it should be put forward.

Mr. KING: I feel that it should be a matter of negotiation, but the point is that we do not have the rights at the present moment to negotiate. This right has been arbitrarily withdrawn from us.

The CHAIRMAN: By whom?

Mr. KING: By the company. By removing the "Dominion", they in effect destroyed our pass rights. What we are advocating is that when any practices are withdrawn that have been beneficial to the employees, that the company should be required to consult with the employees and to negotiate alternate benefits.

The CHAIRMAN: We may agree or disagree with you, but that is a matter which is not, within our terms of reference. It came up this morning and that is why I allowed the questions, but your point had been made on it, Mr. King. Any further questions?

Mr. PASCOE: Just one question, Mr. Chairman. On two occasions in this brief on page 1 and page 2, there are references made to the economic and social impact upon communities of the cancellation of the "Dominion". Could I ask the witness if he could tell of any effects on Revelstoke.

Mr. KING: Yes, Mr. Chairman, I think that this is the main area of concern in trying to deal with the whole issue of the "Dominion". I think, as far as I am concerned the other employee factors are actually subordinate to these considerations. I think this should be the primary concern. And I might point out that our climatic conditions in Revelstoke are such that even the Trans-Canada Highway is blocked and not in use at certain times of the year due to snow slides and extremely heavy snow conditions, conditions that are not experienced in too many other areas of Canada. The alarming increase in automobile fatalities on the highway in the area surrounding Revelstoke in the past year is making train travel very, very attractive to many of the people. Right now, unfortunately, if

you want to come to Vancouver, as I did this morning, to conduct some business, you are obliged to get on the train at Revelstoke at 11:35 at night—that is fast time, 10:35 standard time. This is not conducive to passenger travel, especially when small children are involved as many of us are obliged to take our children with us. It is rather an awkward time to travel. Previously we had the opportunity to ride on the "Dominion" which left there about suppertime. Now this has been withdrawn, and on top of this the train is very often crowded and you do not know if you are going to be able to gain accommodations until the last minute. All of these circumstances, I think, indicate that there should be another passenger service spaced at least 8 to 12 hours apart from the "Canadian". I think if this were provided with modern equipment, it would encourage suitable patronage.

Mr. PASCOE: That answers my question, Mr. Chairman.

The CHAIRMAN: Further to the question Mr. Pascoe has raised, as far as obtaining accommodation is concerned, this committee has been very interested in the reservation problem, especially in this part of the country. Can you help the Committee as far as your experience—apart from as an employee of the company—I mean as far as the travelling public is concerned, in obtaining reservations, let us say, from Revelstoke to Vancouver or from Calgary to Vancouver, and vice versa.

Mr. KING: Well, I should say, Mr. Chairman, that it is very difficult for me as an employee at the present time to speak with any degree of assurance for the members of the travelling public and what difficulties they may be having in obtaining accommodations. I have heard of many, but this brings me to one of the points made in our brief, that at the present time we have had no opportunity to assemble all these complaints from the public and to document them with factual statistical information and present them to your Committee or the Board of Transport. It is all hearsay, so far, and unless we are afforded a period of time which will allow us or any member of the travelling public to possibly record with his city hall or some other organization in his community the fact when he is declined accommodations, then it is difficult to say. It is simply hearsay. Well, as I recommended in the brief, sir, I think that it should be restored for a period of one year.

Mr. ANDRAS: Since the "Dominion" cancellation was first announced back in August of 1965, there were public hearings held and these are the public hearings to which you are referring. Since then there has been an appeal to the Cabinet. This is now May. It has been evident that this thing was not finally settled yet. Would that not be enough time to gather this information.

Mr. KING: I would not agree that it has been evident. No one knew—I have a letter here from the Chairman of your Committee inviting representation to this hearing. I will read you the date on it.

Mr. ANDRAS: Would you include this hearing by this Committee as being one of those procedures? It has been known for some time that there was an appeal to the Cabinet of the Government on this decision of the Board of Transport about the "Dominion".

Mr. KING: That is true, but I do not think that there has been any firm commitment that there was going to be a hearing with presentations invited

from all areas over a long enough period that would allow you to conduct this type of research into the need for accommodations.

The CHAIRMAN: I might say that Mr. King was referring to notices from this Committee of these hearings. I should bring to his attention that, in arranging this trip, arrangements were not finalized until quite late and that is why you received your notice. We are very happy you were able to attend and document your case as you have.

Mr. CARTER: I wonder if Mr. King would explain to the Committee how they go about acquiring this statistical information and what sources do you use. Do you employ a lawyer or statistician to dig it up for you or do you try to do it yourselves? How do you go about it?

Mr. KING: As I pointed out, sir, we have had no real opportunity to avail ourselves of this type of statistical information. Whether we should employ the services of a lawyer or a notary public, at least someone whereby members of the public could file complaints with him concerning their inability to obtain reservations, or just how we would go about it would be a matter for the most appropriate effect in each community. But up to this time we had no opportunity to go into this type of thing. I might point out that in the original brief, that we submitted in Calgary, one case was cited that was documented by personal experience on my part when I was working the train. I do not think that this is too healthy a situation where an employee is expected and demanded to more or less snoop on his employer. This was brought out because I thought it was a particularly crude kind of way in which the public was dealt with. Generally speaking, I do not think that it should be left to the employees to more or less snoop on their employer. There should be some other method devised.

Mr. CARTER: That is why I asked the question, how it would affect your own position in acquiring information, being an employee of the company. But you state in your brief that you did not have sufficient time to get the statistical information to reinforce your argument before the Board of Transport Commissioners. Assuming that, all the time you required, say a month or two months, whatever it could have taken were available, where would you get this information that you would want? We know the company gets it from their records. You do not have access to company records. How would one go about this? You would almost have to employ an expert to get it.

Mr. KING: This could be done. I suggest and a suggestion has been made in Revelstoke that we establish either in the city hall—the city hall of course is interested in the service provided by the “Dominion”. They may assume the responsibility of registering complaints filed with them by members of the travelling public.

The CHAIRMAN: You are speaking of the reservation complaints?

Mr. CARTER: I am speaking generally.

The CHAIRMAN: I think what Mr. King is speaking about is the reservation complaints and what Mr. Carter is talking about are costs, figures, statistics, and I think I would submit that the only place that—

Mr. CARTER: The kind of information you would have presented with your brief to the Board of Transport Commissioners if you had had the time you needed to acquire it. That is what I am talking about.

Mr. KING: Well, that is one area where statistical evidence could be compiled to combat company statistics. Another area, of course—we stated in our original brief that the company had not done all that it could to bring the standard of passenger traffic up to the modern day requirements. In this regard, we feel that investigation by the Committee charged with the responsibility of deciding the case would indicate that the road bed upon which these 1966 trains are being operated in 1885 road bed. You talk about speedy transit. In order to please the public and encourage patronage, speed is necessary today, not only comfort but speed. It seems rather frustrating and rather foolish to many of us to witness all the curvature in the trackage on the CPR and look across neighbouring valleys and see the Trans-Canada highway or other highways that are straight for many, many miles. I think that had the company been more interested in bringing their road bed up to a standard with the equipment they are trying to maintain and run over it, certainly this would have accomplished an effect of bringing in more patronage too. There are many areas like this, but we did not have the opportunity to set up a program with any degree of correlation in our communities and conduct the necessary research to present a solid case on this question.

Mr. BELL (*Saint John-Albert*): Is it not a fact though, Mr. King, that the Canadian people, through the great outlays, are paying the money for the Trans-Canada highway and enhancing bus transportation, and this burden is becoming greater, vis-à-vis the railways to maintain their lines in a modern fashion.

Mr. KING: I think in this regard sir, that the public is no more handicapped in spending this money for the Trans-Canada highway than they were for spending money for the completion of the Canadian Pacific Railway as they did historically. Surely, the CPR can assume some of the responsibility for updating it.

Mr. BELL (*Saint John-Albert*): Because of the general agreement?

Mr. KING: Certainly, because of the need for competition with bus lines and highway traffic, with automobiles.

Mr. THOMAS (*Maisonnette-Rosemont*): Two very short questions Mr. King. What is the population of Revelstoke?

Mr. KING: It is approximately 5,000. That is the city along with the area.

Mr. THOMAS (*Maisonnette-Rosemont*): Do you also have a bus service?

Mr. KING: Yes, the Greyhound bus service has recently been established there.

Mr. O'KEEFE: Mr. Chairman and Mr. King, there is one powerful phrase on page 4 of your brief, and I quote:—

We are, however becoming increasingly tired of assurances from all and sundry, that the disruptive human factors of such changes are recognized. Recognition without appropriate action contributes little to ease the grim reality of loss of employment or home.

Do you have any specific example of a man leaving his home because of the cancellation of the "Dominion"?

Mr. KING: In Revelstoke, we have one young trainman who was involved in an accident and lost a leg on the railroad. It has been a practice with trainmen that when they are injured, in this manner, that they can go on a baggage car, on passenger service to maintain their employment. Of course, this case proved to be one of those where he had found employment on the baggage car. Consequently, when the "Dominion" was discontinued, there was no more passenger terminal at Revelstoke. They moved the passenger terminal to Kamloops in order to facilitate handling of the crew and as a result of that, this one chap that I am referring to was forced to either commute to Kamloops, a distance of 130 miles, live away from home or sell out in order to move to his new source of employment. There is another case of another chap that was on the baggage car at Revelstoke. He was a switchman, I believe. This is an area of employment that is very hard on the legs.

Mr. O'KEEFE: In both the brief and your subsequent statements, there seems to be a thread of concern over the lack of communication between the railway and the union on this discontinuance. If the railway had communicated or sat down with you well ahead of time, you would probably have had a fairly stiff negotiation but you would have arrived at a staging out program. Then—and let us say it would have been impossible to remove from this whole issue the question of labour-management relations, which seems to be very dominant—what then would be your feeling about the discontinuance of the "Dominion" on its own merits alone?

Mr. KING: Well, as I say, having the type of knowledge that we have of the operation, and this knowledge dictating to us the opinion that the CPR deliberately downgraded the service, then I would feel that the unions have an obligation to make representations to this effect in the public interest. I feel rather strongly that there are too many areas today that seem reluctant to give any form of responsibility to the trade union movements, and certainly our area of concern is not just for selfish protection or our members. Our members are also taxpayers. Our members are also patrons, and so are our neighbours, and we participate in many community affairs in Revelstoke that are not related to the railway at all or to our contracts or anything of this nature, I feel that we have a prior responsibility to our country—even ahead of our unions—and if I see the "Dominion" sitting out behind a freight train at the station at Revelstoke waiting to get into the station, then I know that this company is not trying to provide the type of service that the people need and want, and I have seen this situation.

I have seen the situation at Revelstoke where the "Dominion" took sidings to meet freight trains eight or nine times from the division, and consequently it slowed down and put off schedules, and this is a change. This is a radical change from ten to fifteen years ago. When we were railroading then and you delayed a passenger train, why your neck was on the guillotine. You just did not do this, but today passenger trains are downgraded and made subordinate to freight trains in importance and increased preference on the division, and all the employees, of course, are aware of this situation. I do not think we should remain silent when we know this is the situation.

Mr. SHERMAN: Mr. Chairman, commenting on that statement of Mr. King's, I think it is quite possible we are forgetting our terms of reference.

Mr. CHAIRMAN: If you are I will bring you back in believe me.

Mr. HYMMEN: Wait a minute. You mentioned about the "Dominion" being on a siding at Revelstoke. With the amount of freight that is being carried, does that not deserve some hard consideration as well?

Mr. CHAIRMAN: Mr. Hymmen, I do not think the witness should have to comment on that.

Mr. HYMMEN: I am sorry if I am mistaken. I have another question I want to ask you. I have not had an opportunity since this morning. You are representing the B.F.L., and the B.L.E. and the B.R.T., whatever those letters mean, and you explain—I may be entirely wrong—that your prime interest is looking after the welfare of the railway employees. You have a second consideration in that you have the support of the Mayor of Revelstoke and several other small places. We had a brief this morning from the government of the province of British Columbia, and they made some reference to the fact that the government of the province of British Columbia has to speak for the people in the province. It certainly was not a very strong representation for the continuance of the "Dominion", if I read the brief correctly. What I am getting at here is, that we have other forms of transportation. Keep your eye on the record of the Greyhound Bus Lines. I can understand there is a problem in the winter months when it is practically impossible to travel from Revelstoke to Vancouver by the highway. That is a problem, but we are going from Vancouver to Fort William with this committee. We are concerned primarily with the trans-continental railways and relatively concerned with area problems. My interpretation of your remarks is that as far as the line from Vancouver to Revelstoke is concerned your plans are of regional concern. Am I not correct?

Mr. KING: Yes, it is a regional concern, as I see it, sir; but I think one should recognize that if anyone from a community as small as Revelstoke presumed to speak for the nation of Canada, you might question that also. I would think that it is a number of opinions stated and offered from the various communities across the nation that would give you a cross-section of opinion on which to base your decision.

The CHAIRMAN: I would agree with you Mr. King, and I am sure the members of the committee would, too. I would just say to Mr. Hymmen that every brief we have received has dealt not only with the national issue of passenger transportation, but also with the regional issue, and it has to.

Mr. HYMMEN: I was just wanting—

Mr. CHAIRMAN: Order, please. There seems to be no further questioning. There were no hands up, I see Mr. Olson has his hand up.

Mr. OLSON: What information, in addition to what you know is now being kept, Mr. King, would you like to have recorded during this one year trial period.

Mr. KING: Do you mean on the part of the Committee?

Mr. OLSON: On the part of the railway, and on the part of wherever it needs to be kept, so that the public interest can be assessed from this information.

Mr. KING: Well, I am very reluctant to charge the company with—

Mr. OLSON: Well, answer this question. Do you think that it is fair to ask the company to keep a record of all of the people who have asked for some kind of service?

Mr. KING: Yes, yes, I do, but I question the wisdom of asking the company to keep this record. I would rather see some other method designed—

Mr. CHAIRMAN: Mr. Southam now.

Mr. SOUTHAM: I have one short question, Mr. Chairman. I noted that Mr. King is being very critical of the Board of Transport Commissioners. The brief states on page 1.

We must also state that it is our most emphatic contention that the Board of Transport Commissioners lack the facilities and the wide scope of authority necessary to adjudicate legally such a case.

Now we have previously heard criticisms like this before a committee and I think the McPherson Royal Commission has pointed out some of the limitations of the present Board of Transport Commissioners. Would you suggest, Mr. King, that there be a dissolution of this board and then possibly have it reconstituted into a larger board with far more authority, something like the suggestions that have been made of a rationalization authority? This is something that has been considered, and I just wondered, from your point of view and the people you represent, would you be in agreement with this, because it has been suggested?

Mr. KING: Yes, I would very strongly. I feel that the Board of Transport Commissioners is not constituted in such a manner as to give it the authority it requires, either in a case such as this or in many other ways. The employees are very disenchanted with the powers of the Board of Transport Commissioners, as they relate to many areas of railway regulation, and we do feel that it does definitely need wider scope and wider facilities to discharge its duties to Canada.

Mr. SOUTHAM: The question in no way reflects anything on the ability or integrity of the present members. Considering the limitations they work under I think they have done an excellent job, and there is no doubt that, if there was a reconstitution in the form of a rationalization of authority, these people would be incorporated back into the personnel with wider powers, and maybe an addition to it.

Mr. KING: Yes, this is my point, sir.

The CHAIRMAN: Well, may I say, Mr. Southam that you have read all the briefs of parties that have been presented. Many of our witnesses have stated that they would be in favour of one national body for air, land and sea transportation, and this has been also touched upon by the Minister in a recent speech in Winnipeg, so I think that that would answer your question.

Mr. BELL (*Saint John-Albert*): I would just ask another question with respect to this rationalization authority. I understand that your brief here today

has been from your own local brotherhood which, as you pointed out, is completely autonomous, and you have dealt more or less with the regional aspect of the dominion labour problems thereto and the like. But the senior body of your organization, the locomotive engineers, have put forward, I think, a very good suggestion, that there be a rationalization authority, and this is separate from the full new transportation authority for all media of travel, as Mr. Pickersgill has advocated. This is a rationalization authority in the terms of the old bill of last year, which would give some authority, such as the Board of Transport Commissioners—

The CHAIRMAN: Rationalization authority was being discussed at that time, dealing really with the branch line abandonment, if I recall correctly, with respect to the movement of grain, and taking off the spur line.

Mr. BELL (*Saint John-Albert*): The locomotive engineers have advocated some sort of a rationalization authority similar to the one in the old Bill No. C-120 that would divide the responsibility *per se* of minimum passenger service between both the railways and, provided they carried on certain duties, then they would obtain subsidies for their work. Now, you, as a part of this national organization, would subscribe to this. In fact, you probably have taken part in putting this forward. Am I correct in that?

Mr. KING: No, no, not so. I have no knowledge of this representation from the national organization of the Brotherhood of Locomotive Engineers. I am not sure that I would concur in that, but I would think that that would be a matter for government policy rather than—

Mr. BELL (*Saint John-Albert*): But if a national body put forward a brief of this nature, surely it would in some way express the views of all members. I am not trying to pin you down, because I think it is a very good suggestion. I think it is one of the best we have had. I do not know whether other members will agree with me, but I think this is one of the few constructive proposals that we can come up with, when we have to finally report on this matter, and I just want to make certain that this is widespread thinking.

Mr. KING: I think that was an individual report by the Brotherhood of Locomotive Engineers, was it not?

Mr. BELL (*Saint John-Albert*): Mr. Walters.

Mr. KING: Yes, well that was not—anyway, he bears no relation to my organization. There were separate briefs submitted by the Canadian Railway Labouring Executive Association to which my union belongs nationally and the Brotherhood of Locomotive Engineers do not. However, at the local level, our three unions decided to co-operate as a matter of common interest in the submission of this brief. The engineers are entitled to their own views on that. I would not presume to speculate on whether this would be wise or not.

The CHAIRMAN: I think, Mr. King, that Mr. Bell thought the organization was the same, because there is a Brotherhood of Locomotive Engineers and this is the Brotherhood of Locomotive Firemen and Enginemen.

Mr. KING: Well, it is three. Mine is Brotherhood of Locomotive Firemen and Enginemen, the Brotherhood of Locomotive Engineers at Revelstoke, and the Brotherhood of Railroad Trainmen at Revelstoke.

Mr. BELL (*Saint John-Albert*): Is it right then that part of the local brotherhood that you represented are the same people as are members of this National Brotherhood of Local—

Mr. KING: That is true, the engineers' portion would be. Now, if you are asking me whether the national body of the locomotive engineers is speaking for all their membership, I would suggest that they speak for the membership much in the same way as a member of Parliament does. You can not presume to speak for a hundred percent of your constituency.

Mr. BELL (*Saint John-Albert*): But can you not see that you were elected to your post, and that is what these people are doing.

The CHAIRMAN: Let us not have any philosophical argument here now Mr. Bell.

Mr. BELL (*Saint John-Albert*): But can you not see our problem, Mr. King? We have to finally deal with this as a national matter. While we are appreciative—in fact, that is why we are here—of the local problems, I want to tie you in to your national organization, so that it will not appear that we are shrugging off what you suggest.

Mr. KING: This is something, I am sorry, that I have not investigated or really concerned myself with at all.

Mr. BELL (*Saint John-Albert*): May I ask one more question?

Mr. KING: I do not mind at all.

Mr. BELL (*Saint John-Albert*): It comes out of Mr. Brazier's statement this morning, which I think you probably heard, and in your brief you quote from commissioners and say that the Railway Act does not lay down any policy or principle that the board should follow in determining what a passenger trains shall run. That is one of the themes of your brief, which I suggest shows a lot of hard work. Would you be happy with what Mr. Brazier advocated, that passenger services now in existence be frozen as they are and any further discontinuances whatsoever then be the subject of application to Parliament for changes in the Railway Act itself.

Mr. KING: No, I would not. No. I feel that this service previously afforded to the public by the "Dominion" has left a gap that must be filled, and I do not think that the premise that sections of the "Canadian" can be run to accommodate the overflow is adequate at all. Because here again we run into the situation that other witnesses have outlined that the improper spacing of these trains is one of the reasons for its demise, and with sections of the Canadian running—in the first place it is not a sidecar train. There can be no assurance to the public that there is indeed another train coming or there will be any spacing that will facilitate the public needs.

Mr. CHAIRMAN: Mr. Byrne.

Mr. BYRNE: Mr. King, can you come down to Revelstoke today? Do you have any difficulty getting a reservation on the "Canadian"?

Mr. KING: Well, no, the situation with us is this—all we are allowed now on the “Canadian”—in order to get on the “Canadian” in the first place, you must avail yourself of a top berth, if you are an employee. If there are other accommodations available when you arrive at the train, and the sleeping car conductor has additional accommodation available, then you can purchase these off him, but there can be no assurance until you have left—

Mr. BYRNE: If you were not an employee of the company would you have any difficulty?

Mr. KING: If I had not been an employee I would have taken precedence over the employee and I would not be here.

Mr. BYRNE: It is an incredible increase in the rates for accommodation from Revelstoke to Vancouver as of the last month. Do you honestly believe that this is designed solely for the purpose of discouraging patronage on the Canadian.

Mr. KING: Yes, I do.

Mr. BYRNE: The CPR are claiming to be losing about \$20 million on passenger service this year. Well, could it not conceivably be an effort to recoup some of those losses rather than to discourage passenger traffic if they are operating at full capacity.

Mr. KING: I give the policy makers of the Canadian Pacific Railway more ability and sense than applying this method to recoup losses. I would think that one of the most essential things for them to do is to fill the facilities that they have and I doubt that they will—

Mr. BYRNE: You said that there was some difficulty this morning.

Mr. KING: No, I never said there was some difficulty. I simply tried to explain the manner that—

Mr. BYRNE: But to all intents and purposes the train was loaded to what capacity, 85 percent?

Mr. KING: Well, I could not say whether it was loaded. In my car, I think there was at least one space available that was not used, to my knowledge. It seemed fairly well patronized; it was fairly well crowded, but I could not give you the car count.

The CHAIRMAN: Well, gentlemen and Mr. King, I want to thank you for a very detailed presentation. Although you did touch on some sensitive subjects, they did not arise for questioning, so we were able to avert them; but I did want to bring to the attention of the committee a letter which was received from Mr. King in answer to our letter of invitation to appear before the committee. In it he asked whether it was possible for this Committee to hold additional hearings in the area of Revelstoke or Kamloops in order to allow representation to be made from interior areas concerned. We would have liked to do this Mr. King. I think my letter to you said that we could not do it because we could not make the proper connections. This is the problem and we regret it very much. But, as I say, we do appreciate your very fine presentation.

With the additional information which was given to this Committee in the form of some statistics, which will be looked into, I must say that our day's hearing in Vancouver has been very informative for us, and we trust that the public hearings that we will be holding in the cities as we move east will be just as informative. I am sure they will. Thank you very much.

Mr. KING: Thank you very much.

HOUSE OF COMMONS

First Session—Twenty-seventh Parliament

1966

STANDING COMMITTEE

ON

TRANSPORT AND COMMUNICATIONS

Chairman: Mr. JOSEPH MACALUSO

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 10

MONDAY, MAY 9, 1966

Calgary, Alberta.

Respecting

The subject-matter of the adequacy of the present program and future plans for passenger service on the lines of the Canadian Pacific Railway.

WITNESSES

From the Alberta Federation of Labour: Messrs. G. D. Murdoch, President; F. D. Bodie, Secretary. *From the City of Calgary:* Alderman John E. Davis and Mr. J. R. Smith, Counsel. *From the City of Red Deer, Alberta:* Alderman R. G. McCullough. *From Lodge 635, Brotherhood of Locomotive Firemen and Enginemen, and Lodge 663, Brotherhood of Trainmen:* Messrs. J. C. Sparrow, Chairman, Grievance Committee, and L. M. Erb, Legislative Representative, Calgary, Alberta.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1966

STANDING COMMITTEE
ON
TRANSPORT AND COMMUNICATIONS

Chairman: Mr. Joseph Macaluso

Vice-Chairman: Mr. H. Pit Lessard

and Messrs.

Andras,	Fawcett,
Ballard,	Horner (<i>Acadia</i>),
Bell (<i>Saint John-Albert</i>),	Howe (<i>Wellington-</i>
Boulanger,	<i>Huron</i>),
Byrne,	Hymmen,
Cantelon,	MacEwan,
Caron,	McWilliam,
Carter,	O'Keefe,

Olson,
Pascoe,
Reid,
Rock,
Saltsman,
Sherman,
Southam,
Thomas (<i>Maisonneuve-</i>
<i>Rosemont</i>)—(25).

(Quorum 13)

Maxime Guitard,
Clerk of the Committee.

MINUTES OF PROCEEDINGS

MONDAY, May 9, 1966.

(19)

The Standing Committee on Transport and Communications met at 10:00 o'clock a.m. P.D.T. at the Court House in the City of Calgary, Alberta. The Chairman, Mr. Macaluso, presiding.

Members present: Messrs. Andras, Ballard, Bell, (*Saint John-Albert*), Boulanger, Byrne, Cantelon, Caron, Carter, Fawcett, Howe, (*Wellington-Huron*), Hymmen, Lessard, Macaluso, MacEwan, McWilliam, O'Keefe, Olson, Pascoe, Reid, Rock, Saltsman, Southam and Thomas, (*Maisonneuve-Rose-nont*).—(23)

In attendance: From the Alberta Federation of Labour: Messrs. G. D. Murdoch, President; F. C. Bodie, Secretary. From the City of Calgary: Alderman John E. Davis and Mr. J. R. Smith, Counsel. From the City of Red Deer, Alberta: Alderman R. G. McCullough. From Lodge 635, Brotherhood of Locomotive Firemen and Enginemen, and Lodge 663, Brotherhood of Trainmen: Messrs. J. C. Sparrow, Chairman, Grievance Committee, and L. M. Erb, Legislative Representative, Calgary, Alberta.

The Committee resumed its consideration of the subject-matter of the adequacy of the present program and future plans for passenger service on the lines of the Canadian Pacific Railway.

The Chairman opened the meeting. The Committee proceeded to the election of a Vice-Chairman.

Thereon, Mr. McWilliam moved, seconded by Mr. O'Keefe,
That Mr. Lessard be elected Vice-Chairman of this Committee.

There being no other nominations, Mr. Olson moved, seconded by Mr. Hymmen,
That the nominations do now close.

Thereupon, Mr. Lessard was duly elected Vice-Chairman of this Committee.

On motion of Mr. Olson, seconded by Mr. Boulanger,

Resolved unanimously:—That the letter received from Mr. J. J. Frawley be referred with the Committee after being answered by the Clerk of this said committee.

Then, the Chairman invited Mr. Bodie to read his brief before him and his delegation be questioned thereon.

The examination of the witness being completed, the Chairman thanked Messrs. Bodie and Murdoch who retired.

The next witnesses to be called were Alderman John E. Davis and Mr. J. R. Smith, Counsel. Alderman Davis made an oral submission and was examined.

The questioning of the witness being completed, the Committee, through its Chairman, thanked Messrs. Davis and Smith who retired.

The Committee recessed for 10 minutes.

On re-assembling, Mr. R. G. McCullough was called, made an oral statement and was questioned thereon. His examination being completed, the Chairman thanked him and he retired.

On motion of Mr. Caron, seconded by Mr. MacEwan,

*Resolved unanimously:—*That the brief submitted by Mr. A. L. Barron be printed as an Appendix to this day's Minutes of Proceedings and Evidence. (See Appendix "N").

The Chairman then called Messrs. L. M. Erb and J. C. Sparrow. Mr. Erb read a brief and was questioned thereon with his delegation. The examination of the witness being completed, at 1:35 o'clock p.m. P.D.T., the Committee adjourned until 10:00 o'clock a.m. C.S.T., Tuesday, May 10, 1966, where the next meeting is scheduled to be held at the Court House in the City of Medicine Hat, Alberta.

Maxime Guitard,
Clerk of the Committee.

EVIDENCE

(Recorded by Electronic Apparatus)

CALGARY, May 9, 1966.

● (9.50 a.m.)

The CHAIRMAN: Before proceeding with the presentation of the briefs, I feel that we should do some business of the committee in the ten minutes we have. I want to bring to your attention a number of things: (1) Lunch will not be served on the train. We will not go back to the train for lunch. We will have lunch downtown. We will decide at what time we will adjourn when we see how we progress with the presentation of the briefs and the questioning by the members. (2) The Vice-Chairman of this committee, Mr. Blouin, could not make the trip. He has been unable to attend a number of meetings so that we will be replacing our Vice-Chairman and I am opening the meeting now for nominations for the position of Vice-Chairman.

Mr. McWILLIAM: Mr. Chairman, I would like to nominate the hon. member for Saint-Henri, Mr. Pit Lessard.

Mr. O'KEEFE: I take pleasure in seconding that, Mr. Chairman.

The CHAIRMAN: I have seconders—by Mr. O'Keefe, Mr. Thomas, Mr. Boulanger and Mr. Reid.

Moved by Mr. Olson, seconded by Mr. Hymmen that nominations be closed.

Motion agreed to.

I have the pleasure to announce that Mr. Pit Lessard is Vice-Chairman of this committee.

Gentlemen, another matter that has come to our attention is that the "Canadian" which is to pick us up here at 5:35 to leave Calgary for Medicine Hat for our public hearing there tomorrow, has been delayed by six hours by reason of the washout that we had been informed of in Vancouver. We have called the station and left a message that they are to call us immediately upon knowing at what time that train will arrive—if it will arrive in time, or if it will be delayed even further. If it is delayed, we will then have to make other arrangements to arrive in Medicine Hat this evening, or make other arrangements for the events that have been prepared for us by the City of Medicine Hat as represented to us by Mr. Olson. We are awaiting momentarily word as to what will happen with the train. I see that the CPR officials are coming in and perhaps we might be able to receive some word from Mr. Smith as to what time we will be able to leave this afternoon.

Mr. OLSON: Could we give consideration to chartering a bus?

The CHAIRMAN: We will wait until we hear further word from the line.

We have been notified that the City of Calgary will be presenting a brief before us today. The Calgary Labour Council, and the Alberta Federation of

Labour will be presenting a joint brief before us. The City of Red Deer has notified us that they will be presenting a brief. Alderman McCullough, I believe, will be representing the City of Red Deer. He is not here yet. I have been notified that there was a question whether the Province of Alberta would be presenting a brief, and I have been notified by letter dated May 3, 1966, from Mr. J. J. Frawley, Q.C., special counsel for the province of Alberta, as follows:

Dear Mr. Macaluso: Re: Parliamentary Committee on Canada Pacific Railway Passenger Services. I have your letter of 20th ultimo, may also say that your letter of 21st ultimo to Premier Manning has been forwarded to me for my attention. A previous commitment to attend a three-day conference during the week, commencing Monday May 9, precludes my appearance before the Committee at its Calgary or Medicine Hat sittings. I would thank the Committee to arrange a time for me to present a statement on behalf of Alberta when it returns from its trip to Western Canada. Yours very truly, J. J. Frawley.

We will be notifying Mr. Frawley when he will be able to attend our sittings in Ottawa to present a brief to us on behalf of the province of Alberta. May I have a motion to file this letter so that the clerk can advise Mr. Frawley as to our future sittings? Moved by Mr. Olson, seconded by Mr. Boulanger that it be filed.

Motion agreed to.

Now, it is my intention to call the City of Calgary first, then the City of Red Deer, the Calgary Labour Council and the Alberta Federation of Labour briefs. I also have indications from a Mr. A. L. Barron, C. Barron, Barron and McBain, that there will be a two page brief presented by Mr. Barron. I wonder if the City of Calgary is prepared to proceed with its brief. Alderman Davis?

An hon. MEMBER: Alderman Davis is away.

The CHAIRMAN: Well, then, perhaps we can hear the Alberta Federation of Labour and the Calgary Labour Council jointly. Mr. Bodie, I believe. Please come up Mr. Bodie. Mr. Bodie is the Executive Secretary-Treasurer of the Alberta Federation of Labour. You have the brief before you—the green-covered brief.

Mr. BODIE: Yes, this is the green-covered one. Gentlemen, this is a joint brief submitted by the Alberta Federation of Labour and the Calgary Labour Council to the Transport and Communications Committee. The Alberta Federation of Labour is the central body for trade unions in Alberta and represents about 225 local unions with an affiliated membership of 35,000 people. The Calgary Labour Council has about 65 local unions affiliated and represents about 15,000 members. On October 12 and 13, 1965, hearings took place in Calgary before the Board of Transport Commissioners concerning an application by the Canadian Pacific Railway to discontinue the "Dominion" train service. At that time a brief was presented by the Alberta Federation of Labour expressing opposition to the application of the Canadian Pacific Railway. So the brief was compiled and presented by the Alberta Federation of Labour; it was fully endorsed by the Calgary Labour Council. Today we appear before you expressing

ing our dissatisfaction at the final report of the Board of Transport Commissioners allowing the CPR to discontinue the "Dominion" train service. We are given to understand that the Board of Transport Commissioners are not answerable to Parliament for their decisions except to provide Parliament with a report on the reasons for their decisions. We suggest that the powers of the transport commissioners be reviewed, and a possible new transport policy be enacted whereby transportation policy would be decided by a board of transport, composed of members of Parliament and a broad cross-section of the general public, answerable to Parliament and the people and any decision of this board to be first ratified by Parliament before becoming law. We request earnest consideration of this proposal.

● (10.00 a.m.)

As to our objections to the decision of the Board of Transport Commissioners, we note in western Canada especially, with the comparatively vast distances between towns of any size, a regular and frequent train service is a vital necessity. With the discontinuance of the "Dominion", the only train now in service on the main line of the CPR is the "Canadian". We do not feel that the "Canadian" can adequately serve the people without additional rail service being provided. When the "Dominion" was also in operation, adequate service was provided. The main contention of the CPR at the board of transport hearings was that the company was losing money operating the "Dominion". We do not intend to disprove that they were losing money, but we do say that one of the main reasons why they were losing money was that the "Dominion" service was downgraded by the CPR to the extent that the company was losing passengers from the "Dominion". Obviously when this happened the company was bound to lose money through lower revenues plus constant cost factors. Downgrading of the service by the CPR took many forms.

(1) With priority being given to fast and essential freight trains over the service of the "Dominion"—the travel time of the "Dominion" was longer.

(2) Meal service on the "Dominion" was discontinued, forcing passengers to travel long distances without food. The meal stops were also inadequate. For example, the first meal stop for breakfast on the "Dominion" leaving Vancouver for the east was at Field, British Columbia. The average running time was 22 hours. At Field the only food available was sandwiches, which we do not feel is a proper breakfast fare, especially coming after such a long journey of 22 hours.

(3) The length of the "Dominion" was reduced to one engine, one buffer car, and two coaches. By so doing, sleeping facilities were eliminated from the service.

(4) Attempts were made by potential travellers for reservations aboard the "Dominion". Many times they were told there were no seats available and yet when the train left Calgary, many times there were empty seats.

The four examples of downgrading the "Dominion" service as outlined above, give some idea as to why the CPR was losing money on the "Dominion" service.

It appears that the downgrading was a deliberate attempt by the CPR to prove to the Board of Transport Commissioners that by losing money on that particular railway service, the CPR were justified in requesting that they be given permission to discontinue the "Dominion".

We go further and say that if the CPR was seriously concerned about loss of patronage on the "Dominion", the best way of selling the service to the citizens of this country would be to make the service more attractive to the people. An analogy of this whole affair would be the selling campaign the Canadian National Railways is conducting in an attempt to increase the patronage of their rail passenger service. For example, in advertising campaign pointing out the benefits of travelling CNR, reduced rail fares, better service, improved facilities—these are some of the highlights of their campaign. It is reflected in the results. The CNR has shown a sharp increase in the number of passengers using their services. It is also interesting to note that while the population in Canada is increasing, and especially so in the points covered by the CPR, the CPR apparently has shown no marked inclination to attempt to attract more people to its rail passenger service. The market is there, if a strong selling job was done, possibly similar to the CNR.

Another factor to consider is the increased amount of business being done by the tourist industry in the country. At one time, for instance, Banff and Jasper Parks were strictly summer holiday resorts. But now, with the increasing interest in the sport of skiing, Banff, Jasper and surrounding areas are all year round tourist attractions.

People are attracted to these areas at all times of the year and the increasing patronage of these areas and facilities has to be serviced by an adequate and efficient rail service. In 1967, Canada will be celebrating its hundredth anniversary in Montreal. Millions of people from all over the world will be flocking to Montreal and other parts of the country. Most of these people will not have cars, so an adequate rail service has to be provided. Once again, we say the "Canadian" will not be enough.

In 1887 the people of Canada gave to the CPR \$25 million, and 25 million acres of tax free land, in exchange for which the CPR was to provide a railway service for the people. Since that time the CPR has increased its holdings, increased its network and expanded into many other fields of industry. If for no other reason, the CPR should be morally bound to maintain a good railway service for the people. No other industry has been treated so generously by the people as the CPR. This is of great concern and import to us, as well as the question of the welfare of the workers who must have been affected by the discontinuance of the "Dominion". However, we are sure that this will be covered in better detail by a brief to be submitted by the running trade unions.

In conclusion, we would like to thank you for the opportunity of appearing before you today and giving us the privilege of outlining to you our concern

over the discontinuance of the "Dominion" train service, and urge that this service be restored as soon as possible.

Submitted by the Alberta Federation of Labour and the Calgary Labour Council.

The CHAIRMAN: Thank you, Mr. Bodie. The questioning is opened. Mr. Carter.

Mr. CARTER: I just want to ask two short questions. On page 3 you refer to the priority being given to fast freight over the "Dominion". Can you tell me, is the same being done with the "Canadian"?

Mr. BODIE: I am not sure that I could answer that—no, I really could not answer that sir; I am sorry.

Mr. CARTER: On page 5 you talk about the CNR efforts to get more passengers, and you say in paragraph 3 "it is reflected in the results. CNR has shown a sharp increase in the amount of passengers using their services." Probably this witness should not be expected to answer this, but I wonder, Mr. Chairman, if you could arrange to get the information on whether this increase, which we are positive about, has had any effect on the deficit on the passenger services—how has this increase in the number of passengers on the CNR affected their deficit on passenger fares? Could we get that information from the CNR, so that we can make a comparison.

The CHAIRMAN: The CNR will be coming before us, Mr. Carter, with their Annual Report and I think at that time your questions could probably be answered by the officials of the CNR.

Mr. CARTER: Yes, I am not asking this witness but I think we should get the information.

The CHAIRMAN: They will be before us and you can ask the officials of the CNR at that time.

Mr. CARON: We should get the information before they come.

The CHAIRMAN: Yes, we shall try, naturally. This will be recorded in the proceedings.

Mr. ROCK: You mention on page 4 "the best way of selling the service to the citizens of this country would be to make the service more attractive to people".

You have not made any statements in your brief as to alternate transportation facilities such as air travel and bus. Would you agree that a speedier train would be more attractive to the people in the future?

Mr. BODIE: I would certainly say that this is one of the factors; people do look to pretty fast transportation these days, and I would think that a train that wanted to make a reasonable showing with other forms of transportation would have to take into account the re-scheduling of their train and the speed at which it will travel across the country. Yes, I think this is certainly a factor, sir.

Mr. BELL (*Saint John-Albert*): I just have one point, Mr. Chairman, on this very compact brief. I would like to ask if the labour councils would object to a

form of subsidy being paid to the CPR particularly if we were able to relate this subsidy to a definite form of passenger service and fulfilment of conditions thereto?

Mr. BODIE: Well, I would think, sir, that if the Committee, eventually after hearing all that needs to be said on this subject and if the Committee is eventually satisfied that, in fact the CPR is losing money, I think it then follows that you can not expect the company to operate the train, if, in fact it is losing money. And yet if the Committee comes to the conclusion that, indeed, the "Dominion" train is necessary, then it may well follow that it will be necessary to subsidize the CPR to operate the train, or else have some other form of transportation supplied, either through a crown corporation or the CNR or some other form, whatever the Committee may feel. I think, generally speaking, the labour councils and the Alberta Federation of Labour may well feel that, if in fact, the CPR is losing money, it may well have to be subsidized to provide the service.

The CHAIRMAN: Gentlemen, I want to introduce to you, Mr. G. D. Murdoch, president of the Alberta Federation of Labour, who is prepared to answer questions along with Mr. Bodie. It is nice of you Mr. Murdoch to come. Any further questions, Mr. Bell? Mr. Olson, you are next.

Mr. OLSON: Mr. Chairman, several times throughout the brief of the Alberta Federation of Labour and the Calgary Labour Council, they refer to the "Dominion" and that it should be restored. I want to be clear on whether you think that this train, in addition to the "Canadian", should be restored as the "Dominion" was, or should it be a train similar to the "Canadian" running at 12-hour intervals.

Mr. MURDOCH: We would agree that it should be running at 12-hour intervals, similar to the "Canadian".

Mr. OLSON: The other thing I want to touch on is, that you talk about the Canada Centennial and the Expo '67 in Montreal and so on. Do you know whether there is any space available now during the summer months of 1966 or has that been sold out on the one train, or nearly sold out?

Mr. MURDOCH: Going east or west?

Mr. OLSON: Well, either way.

Mr. MURDOCH: Well, our experience is this: last year in 1965, we had people from our own organization going east and they were able to get space. But coming west, it was practically impossible and they reserved space over two months ahead. As a matter of fact, in May of 1965 they were reserving space going east to be there at approximately the middle of July, to Toronto. Coming west, they were unable to get space and had to sit up on the "Dominion" coming back as far as Winnipeg and then acquired a berth coming the rest of the way.

Mr. OLSON: They were unable to buy a round-trip ticket?

Mr. MURDOCH: That is right. That was over two months ahead and I can name the person. He is the vice-president of our organization.

Mr. OLSON: Do you know if that same situation exists in 1966?

Mr. MURDOCH: We have not been able to check on that. I would say that as recently as two weeks ago we were able to get space to Winnipeg, but we had to go via CNR, myself and the Secretary, Frank Bodie. We reserved it well over a month ahead but we found out that it was inappropriate to get on the "Canadian" going as far as Winnipeg, going east.

Mr. OLSON: You talk about the deal or the arrangement that was made between the people of Canada through the federal government and the CPR in 1887, \$25 million and 25 million acres of tax-free land; you go on to say that the CPR has been treated rather generously by the Canadian people. Do you think they should be calling on some of this non-rail revenue to support passenger service within the terms of that agreement?

Mr. MURDOCH: Let me answer this in this light. You would think that in the view point that they have been given this ability to establish themselves as a prosperous company, and to help the progress of the country, that by maintaining any efficient passenger service is only part of this service that they are morally obligated to maintain. For example, we are very much concerned. We will assume that the CNR will eventually have to take off another train. This becomes a trend, taking off more trains and more trains. What then happens if Canada has an emergency in the question of national defence. Where do the coaches come from because after a period of time they are demolished, and we have no means of transporting troops. This is of more concern because this eventually becomes a trend and there are less and less trains and less and less coaches, and then if there is an emergency of national significance, of national defence particularly, we do not have the means of transporting troops.

Mr. BODIE: I think it is reasonable to say, sir, that we feel that the CPR and all its acquisitions since it was given this grant that we speak about in this brief, these have been made possible through the operation of a railroad and that those grants in fact should now be repaid to the people of Canada through providing an adequate and proper service including passenger train service.

Mr. REID: Do you think, gentlemen, that at any given time the railways looked upon passenger service as a profit-making service? Was it ever designed to be a profit-making service?

Mr. MURDOCH: I would say this, apparently at the present time the way the operations of the company are, they are appearing to make it look this way. For example, just as recently as two months ago I used the service between Edmonton and Calgary and the exact date was Feb. 18 or 19 and now that service is being relegated to a second-rate service because the freight trains have priority. Instead of running about three to three and one half hours' service, it is running from four to four and a half. And this is showing that they are putting a priority on the best profit-making part of the company—

Mr. REID: That is not the question I asked. I asked you if you ever thought that in the past since the company was formed—back in the 1880's, if passenger service had ever been considered by the railroads as a profit-making service? We know today that they do not consider it to be so. Do you know anything of this?

Mr. MURDOCH: It was, because as shown in the recent issue of the *Canadian Weekly*, the immigrants coming west to harvest the grain—the experience showed that quite a bit of profit was made on it, in earlier days. Now that we do not need the manpower for harvesting they do not make that kind of profit. And it was originally designed as a profit-making part of the company.

Mr. REID: The point I was trying to make was that passenger services on the CPR originally were very low in relation to the prices they charged for freight and that the reason their passenger service was low was that they were trying to fill up the west in order to provide markets for the grain going east and the manufactured goods coming west. The trend now seems to be that this function is no longer fulfilled by the railways. It is fulfilled by other means of communication and that people use the trains not to move to a certain place, but to visit from place to place and that the concept of passenger service has changed.

Mr. MURDOCH: I would agree with you.

Mr. REID: In other words, passenger service has always been what you would call a loss leader?

Mr. MURDOCH: Loss leader, that is right. It is the same as our transit systems in our municipal endeavours.

Mr. REID: Now the second point has to do with your proposal on page 2 about the revised Board of Transport Commissioners. Could you give a little more detail about your proposed composition of this new board? In other words, you would take it out of the technical area in which it now operates and make it a policy-making board.

Mr. BODIE: Yes, I think that that is more of the philosophy we had in mind. Yes. It would be composed of members of Parliament, plus a broad cross section of the general public.

Mr. MACEWAN: I just wanted to follow up what Mr. Reid had to say. The suggestion was made, gentlemen, in other briefs that we have heard that there should be a transport board set up in Canada which would look into all matters of transport, air, rail and sea; that is, take in the Board of Transport Commissioners, the Air Transport Board and the Canadian Maritime Commission. Has that ever come to your attention, and this would look into all these matters, as I say. Have you any comments to make on that suggestion?

Mr. BODIE: Well, other than what we read in the newspapers that the approach is being made. My personal feeling would be that this would seem to be a logical sort of an approach. Canada is a pretty big country. If one transport commission were to oversee all these various phases of transport, certainly there could be more co-ordination and better co-operation between all of these and one could better dovetail to serve the various interests better. It would seem that this would be a logical approach.

Mr. MACEWAN: Would your suggestion here of a transport board as you set it out, composed of M.P.'s and the general public,—be separate from such a board then?

● (10.20 a.m.)

Mr. BODIE: It seems to me that the board that we propose here would be the policy board that would oversee the technical people that you may need to regulate air, water and rail.

Mr. MACEWAN: Would it be answerable to an over-all board. I know that this is hypothetical, but I was just wondering what you think on this?

Mr. BODIE: I think that that board would be answerable to Parliament.

Mr. MACEWAN: Not to the over-all board, if one was set up?

Mr. BODIE: No.

Mr. O'KEEFE: Just one question Mr. Chairman. On page 4, you say that the only food available was sandwiches, which we do not feel is a proper breakfast, especially coming after such a long journey of 22 hours. Surely that does not mean 22 hours for breakfast.

Mr. MURDOCH: We are going by the testimony that was given by a witness before the Board of Transport Commissioners that this actually did happen and it did happen on certain dates and according to the Board of Transport Commissioners testimony I think that one of the chaps was an employee of the company and he was taking an awful chance in his hands in testifying in this way but he did it.

Mr. O'KEEFE: Twenty-two hours for breakfast? That seems like a pretty long way for breakfast.

Mr. MURDOCK: That is what he provided that time when they cut down back to a buffet car and another time on the train.

Mr. PASCOE: Mr. Chairman, this is very direct brief presented in such a concise form. I just have a short question here which might be of some help to the Committee. You state on page 1 that at the hearings of the Board of Transport Commissioners, the Federation of Labour presented a brief. Was it presented pretty well in this same form? What I mean is did the board hear the arguments there along this line?

Mr. BODIE: Yes. And we were under cross-examination by the company and so on. Yes.

Mr. PASCOE: So you presented these same arguments in regard to passenger service at that board hearing?

Mr. BODIE: Basically I think that is true. Yes.

Mr. PASCOE: That is all I wanted to do, just to clear that point up.

Mr. CANTELON: I would like to refer back to Mr. Olson's question which Mr. Murdoch answered by discussing reservations. Do you believe that it would be possible for the railway to set up a computerizing system for these reservations. The railways have told us that in effect they think this is impossible and I wonder if you think it would be possible?

Mr. MURDOCH: I think it would be possible. If Air Canada can do it and another air line can do it, why would the railway not do it. As an example, if you pick up the phone book here in Calgary and phone the CPR, you got to phone about 3 or 4 numbers to get satisfaction on certain things as far as getting

a ticket on the "Canadian" is concerned. First you phone a number and ask the train times. Then you phone another to get the price of the ticket. Then you phone a number for reservations. And it is just a continuation of phoning and phoning. If you are on a nickel machine, and now the government made it a dime machine, it costs you money just to try and get on the train. This is why I say that it is impossible to at least try to do it even if the system of trying to get information is almost hopeless. At least in Edmonton when you pick up the phone to call CNR you can get through just like that, and get some satisfaction on just one phone call.

Mr. CANTELON: I would like to ask you this. I can see the railway's point of view on this. I think that this must be more difficult than it is on a plane because you only have one kind of a seat on a plane, or maybe you go first class, but on the railway there are, I think, five different types of accommodation.

Now the question I wanted to ask you is: Do you think that the public requires five different kinds of space on a train, like a bedroom or a compartment or roomettes or berths or just a coach seat? I think that it would be much easier to computerize such an operation if there were just two types of space.

Mr. MURDOCH: I travelled western Canada for about 3½ years for our international union and I used trains a fair amount and as much as possible because you could leave in the evening and go to Regina with a very convenient service and invariably I could not get a seat, but as I say there are only three necessities for space. A general seat, or compartment, or bedroom and a roomette. I think that that is all that is necessary. It is not necessary to go into a lot of elaborate—

Mr. CANTELON: Of course, you have to feed the public too, on the train, primarily because it does not travel as fast than some other mode just now.

Mr. MURDOCH: You feed people on the air lines too.

Mr. CANTELON: In quite a different way, of course. I think I will leave it at that.

Mr. BALLARD: Just a couple of points that I was concerned about and one is this suggestion that a new board of transport be set up. It is my understanding that the present Board of Transport Commissioners are responsible to the Privy Council and of course the Privy Council is responsible to parliament, so really, what you are suggesting is, that we have a broader base transport committee or a Board of Transport Commissioners which, in the same manner as the board of transport presently constituted, would be responsible to Parliament. Now, the question is: In putting forward this suggestion that in your opinion the present Board of Transport Commissioners do not effectively represent opinion from across various parts of Canada, do you think that their observation of railway operations is too narrow?

Mr. BODIE: I think that is well put. I would go along with that, yes.

Mr. BALLARD: On this same question, how would you suggest that a cross section of the general public be appointed to this board? Who would make the appointments?

Mr. BODIE: I think the authority must be with the government.

Mr. BALLARD: To make the appointments from the general public to the board?

Mr. BODIE: Yes.

Mr. BALLARD: Now just another short question. On page 6, you say, after discussing the 1880 agreement and the act of 1881, that if for no other reason the CPR should be morally bound to maintain a good railway service for the people. The act of 1881 specifies that the company shall operate an efficient railway system. You have not used the word "efficient", you used the word "good" and you used the words "morally bound" instead of "legally bound". Now the question is this, how do you determine what is a good railway system? For example, you are saying today that in order to have a good railway system, we must re-institute the "Dominion," but would that constitute a good railway system or should we have an additional rail or train service in addition to the "Dominion" to make it a good railway system? I am trying to get your definition of what is a good railway system.

Mr. BODIE: This changes from day to day. What was an efficient system in 1887, or whatever the date was that they entered into an agreement with the government of Canada to provide that kind of service, what was efficient then, cannot be considered as efficient today so, this becomes a pretty hypothetical thing and I really do not know where it really ends. I think that the feeling here is, to live up to that agreement, that the time has not yet arrived that the "Dominion" can be done away with. In our opinion the "Dominion" is a needed train in addition to the "Canadian". The "Dominion" in our thinking, being a full-scale train similar to the "Canadian". So, we feel and again we could get into an argument I suppose about what is efficient and what is good. We use the terminology of good service meaning that we feel that the "Dominion" is a necessary part of the service of the CPR to provide for the people of this part of the country in particular.

Mr. BALLARD: At the present time you feel that if "Dominion" was reinstituted that this would constitute good service?

Mr. BODIE: Well if circumstances a month from now or a year from now change, then we might suggest something different, but at this particular moment, we would have to say and in our opinion, the "Dominion" is a necessary train.

Mr. PASCOE: Mr. Chairman, the witness did not comment on the question about moral obligation and the legal obligation. Could you say whether you consider it a legal obligation to the CPR?

Mr. BODIE: I think both sir, I think that again we did not enter into the legal arguments involved because we do not have that kind of training. We feel that the people of Canada having supplied this kind of money and these kind of grants to the CPR to provide a service, that they, in turn legally or otherwise, are morally bound to in turn provide this kind of service to the people of Canada.

Mr. SOUTHAM: Mr. Chairman, on page 3 of the brief, I notice the witnesses made a statement, "*downgrading of the service of the CPR took many forms.*" It is interesting to note that in the CPR testimony that the witnesses reported

before the Committee that several witnesses vehemently denied this statement. In other words, you people, are self-assured that they purposely premeditated the downgrading the service to the public. You wanted to get four examples. You say the four examples of downgrading "The Dominion" service as outlined above give some idea as to why the CPR was losing many on the "Dominion" service. And yet you say at the start the downgrading took many forms. Would you like to add any further examples? You have four examples here, but I was just wondering if you had any further examples because this has been a debatable point so far between hearings of this Committee and witnesses of the CPR.

Mr. MURDOCH: I would like to give you a further example taking place right now between Calgary and Edmonton and that service, because they would try to get away with that one, too, and that is the question of taking off newsboys and so it happened on the "Dominion" as well, they are taking off newsboys. That is one example. There has always been a service on the train in years past, they are taking away a little bit of service and a little bit again and again, so, people just do not want to use it.

Mr. BALLARD: Mr. Chairman, a supplementary, on this Edmonton-Calgary run, do you know if there has been any increase in the fare by CPR within the last year?

Mr. MURDOCH: Very definitely.

Mr. BALLARD: Do you know the amounts involved?

Mr. MURDOCH: I believe it is \$19.70 return to Edmonton, \$19.70 is the amount of fare.

Mr. BALLARD: And do you know how much it is for the same from Calgary to Edmonton by CNR?

Mr. MURDOCH: \$6.40 I believe.

Mr. BALLARD: The CPR is \$19.70 return and the CNR is \$6.70?

Mr. MURDOCH: Yes. A supplementary question, Mr. Chairman.

The CHAIRMAN: I am not going to allow too many supplementaries.

Mr. FAWCETT: Mr. Chairman, I want to refer to one paragraph on page 4 paragraph 4. It says:

Attempts were made by potential travellers for reservations aboard "The Dominion". Many times they were told there were no seats available and yet when the train left Calgary many times there are empty seats.

I was just wondering if the witness being a former train conductor, realize that this is quite possible. It would be quite possible under a system of reservations for the train to leave Calgary with empty seats. I was just wondering if this was realized or if this is a case where you consider there were too many empty seats for people to have been turned down for reservations.

Mr. MURDOCH: Well, I think that is a pretty hard question to answer because you do not know exactly how many seats on the exact occasion, but I think the

the secretary here knows of one particular case that happened, I think it was last year. I cannot elaborate on that one, because it was quite an outstanding thing for us.

Mr. BODIE: I think it comes back to a previous question perhaps of other things that seems to have been done or were not done which discouraged travel on the "Dominion" and I think Mr. Murdoch said that a number of them telephones the routine that you go through in order to try and buy some transportation and then arriving at the station the long lineups to get onto the train, and I think one of the worst features is the lack of red caps to service the carrying of baggage which particularly elderly people would appreciate having, but which are never there at least any time I am travelling with trains and I have travelled west on the "Canadian" just a week or so ago, and there was no red cap service available at that particular time. I think these are some of things. I think that it is possible that the "Dominion" could leave Calgary and have vacant seats and people may have been turned down. I think this is possible, people do not always show up. Yes sir, I would agree that this is possible sometimes.

Mr. FAWCETT: Yes, there is another set of circumstances I understand that there could be seats reserved for perhaps the next stop on the "Dominion". I just want to point this out to you because I think when a statement like this is made, it should be pretty well documented, because of these two features that I know from experience, that it is very possible for this sort of thing to happen through no fault of the company perhaps in some instances more the fault of the travelling public or all the fault of the travelling public rather than the fault of the company. This could get back to the matter of reservations again, so Mr. Chairman, that is all I have and I just wanted to get this cleared.

Mr. HOWE (Wellington-Huron): There have been questions about how to define an adequate service. It comes to my mind that several years ago there were a lot of complaints about the service at that time the "Dominion" was too slow, that it was not adequate for the service of the travelling public. How would you gentlemen define an adequate service. Do you want the "Dominion" put back on the same status that it was four or five years ago. Do you think that would solve the problem?

Mr. MURDOCH: Well for example, if you have one train at the present time that is using the peak period. It may be up to 20 coaches, but if two trains were travelling at 12 hours apart, and you missed the one train, you are going to catch the next one at least and good service in my opinion, is availability. If you do not have service available, then it is not a good service. In other words if Air Canada is running a service from Calgary to Edmonton, and only one flight a day, but the Pacific Western is running three flights a day, people will have to go to Pacific Western, because of the availability. Availability is the big thing in giving service.

Mr. HOWE: Do you think that profit angles should enter into it too?

Mr. MURDOCH: Certainly, I believe that the profit angles should enter into it, but after all the question of railway service, you must consider that a railway is not a railway unless it has all the features. It cannot be just a freight area, it

must be providing all the features of the railway and if you start eliminating the passenger element of it, then it becomes a railroad more and out to make one thing and that is a profit. Their obligation is to provide service and availability is the biggest part of service.

Mr. CARON: We were speaking a while ago about the reservations made on the "Dominion" or on the "Canadian". Do you think that if those who reserve by telephone had to come a half hour ahead of time otherwise they would have to give the reservations to somebody else if they needed it as we do with the plane would that help? If we are not at the airport half an hour before plane time they sell the space to somebody else. Could they do the same thing with the railway?

Mr. BODIE: I would say offhand that it would be within the realm of possibility. I think this is a fair and reasonable sort of thing.

Mr. CARON: And they do not do it now?

Mr. BODIE: I do not know. I am not aware that they do.

Mr. CARON: That is why that sometimes the train goes and somebody who had reserved a seat is not there to take it and the seat is vacant when somebody else could have taken it.

Mr. REID: I just wanted to ask the witnesses if they know what the air bus ferry return from Calgary to Edmonton is and how often it operates.

Mr. BODIE: \$24.00 return, \$12.00 each way, and I think there are about now, three flights each way.

Mr. REID: How many train services?

Mr. BODIE: The dayliner between Edmonton and Calgary, but I do not bank on that. I was informed that it was three times by CPR, between Edmonton and Calgary.

Mr. REID: And three air buses?

Mr. BODIE: I believe so, sir.

Mr. SOUTHAM: Thank you Mr. Chairman, I have one other question to ask and it was a supplementary relating to the downgrading of services and I refer to the suggestion that was made to our committee the day before yesterday when it was suggested that in the future we agree that the "Dominion" be left off but that they improve the "Canadian" services. There was a suggestion made that we have a second section running say thirty minutes behind the other. I feel that this would not be in the public interest because it is meeting the needs on the prairies, where you have the time, the differential in time. In other words the "Canadian" presently runs through now in the middle of the night. It does not meet the wishes of the travelling public. Would you suggest that if we do come up with the idea to make the recommendation that we restored the service that it should be in the form of say two "Canadians" of equal status, 12 hours apart, because witnesses have given testimony that they felt that there was a tendency on the part of the public not to ride on the "Dominion" because it is a more obsolete type of service. In other words, it is second rate compared to the "Canadian" and yet they had to pay approximately

the same rates for passenger or sleeping accommodation. Would you suggest that we have two trains of equal quality, should it be decided on to restore it, the second train, the transcontinental train?

Mr. MURDOCH: I think we can agree that we certainly could go along with two trains approximately twelve hours apart. I do not know if it would be exactly 12, but approximately that time and particularly if they were named the same, it does not matter, the name is not concerned to us, but the service to western Canada and like you say, some train times in the middle of the night and this would fit the population going from eastern Calgary to Medicine Hat or Medicine Hat to Calgary and this fits very good because particularly if people of elderly aged or they may be crippled or unable to travel any other means except by the railway, so this fits it very good because the timing for these kind of people would be a good arrangement. Further to this question of exclusive reservation I do not think is applicable on railways, their exclusive reservations. They could have one car on the train. It being the main station on the railway and there ought to be reservations for it, and you would be surprised the number of people who use that service.

Mr. SOUTHAM: Thanks Mr. Chairman. I think that this answers my question. I feel that with the accommodation we have now with air service and if the railroads are going to stay in the passenger business and compete that they are going to have to upgrade their services rather than a diminution of it and they can do these by various means by a better quality of transportation in itself speeding it up, by cheaper fares possibly and all the rest of the elements that go into it.

Mr. BELL (*Saint John-Albert*): Mr. Chairman, I realize that you are trying to move ahead today, but since the witnesses have been very frank and straightforward, I wonder if they would mind saying whether they agree with his statement that was in the CPR brief on page 14 and they say:

The heavy wage increases that continued through the 1950's and 60's, greatly affected the company's passenger train operations particularly the labor intensive transcontinental service. This further reduced the ability of the company to compete with airlines and buses which have a lower labour content.

They go on with the problems of larger aircraft and modern buses, with the competition of those.

Do you agree that there is some element of truth in this?

Mr. MURDOCH: I can agree that the wage factor may have some effect on the situation, but not altogether when taking competition with the airlines or the buses. For example, the buses travel on roads provided for by the people and the airlines are landing in airports provided for by the people of Canada. So the other factors taking consideration that this is not a very good argument because the wage rates in airlines and wage rates in buslines and so on, are all going up as well in the corresponding evidence here.

Mr. BELL (*Saint John-Albert*): There is an argument that the Canadian people are using the highway as the CPR uses it. It is a greater difficulty in competition.

Mr. MURDOCH: They did away with the "Dominion" and eventually they will do away with the "Canadian" and get power to land in Calgary on their transcontinental flights and the people of Canada will pay for it.

Mr. REID: Are not the people of Canada paying right now for railway passenger service, to a certain degree, Mr. Murdoch?

The CHAIRMAN: There is a subsidy being paid to both the CPR and the CNR to maintain passenger service.

Mr. MURDOCH: The subsidy originally happened when they got the original grants of \$25 million and 25 million acres of land.

The CHAIRMAN: There is a subsidy being paid presently. In 1961, 1962, and this year, there is a subsidy being paid by the federal government to the CPR to maintain passenger service.

Mr. BODIE: Mr. Chairman, I do not know if we can answer that question, because we are not railroad people and I think that the only people that can resolve that sort of thing are the railroad people representing the CPR and the unions involved. Knowing something about the situation in Canada as a whole, I think that it is reasonable to say that if the cost of upgrading the CPR is going up, the labour cost in the CPR is going up. It is different from industry in Canada generally, according to the Economic Council of Canada. You were talking about manufactured goods and this is a service and this is granted. As far as the manufactured goods are concerned, the labour unit cost is going down and has been for quite some time. In the United States and Canada, right at the moment it is on a direct ratio to what it was in 1960 and so it went down until 1965 and on the other hand, profits in Canada by industry generally have been on a direct line. Generally speaking labour cost does not have that much to do with the situation, I would submit.

Mr. BELL (*Saint John-Albert*): May I just say, as far as the record is concerned, I do not believe that we have any knowledge that there is a direct passenger grant in the form of a subsidy to the CPR at the moment.

The CHAIRMAN: There is a subsidy being paid at the present time.

Mr. BELL (*Saint John-Albert*): Maybe to other services, but certainly not in certain passenger fields.

The CHAIRMAN: I would suggest that the subsidy is part of the whole operation of the rail line.

Mr. BELL (*Saint John-Albert*): There is a subsidy in their passenger service in the light of their deficit.

Mr. CARON: When you speak of the CPR, you speak of the increase in their salary. Has it been the same with the CNR?

Mr. BODIE: I hesitate to answer, because we are not from the railroad and I think that the people from the union would be in a better position to reply.

Mr. O'KEEFE: I believe that the witness mentioned two fares. One was \$6.70 and the other was \$19.70; do they both offer the same convenience and speed?

Mr. MURDOCH: I did not travel on both at approximately the same time. I think that the CNR takes a little longer time, because of the stops at the smaller towns and the CPR is only stopping at the main centres.

Mr. O'KEEFE: The reason I ask this is because I want to know if the "Dominion" is different than the others.

Mr. ANDRAS: I want to ask a supplementary question, Mr. Chairman. Does one of them include a meal or meals where the other does not?

Mr. MURDOCH: No, neither one of them serves meals.

The CHAIRMAN: I have one question concerning the MacPherson Royal Commission Report it states:

Passenger services are clearly one aspect of rail operation which is uneconomic when taken as a whole. The railways are accused of deserting communities by withdrawing passenger train service when a more objective view would be that the communities have deserted passenger service. The reasons are not difficult to find.

Do you have any comments to make on that statement by the Royal Commission on Transportation?

Mr. BODIE: If the situation is won, I might go along with the MacPherson Royal Commission.

● (10.50 a.m.)

The CHAIRMAN: There is one other matter. In your brief, you really come to one conclusion and I am sure you have others. You are asking that the "Dominion" be restored as soon as possible. Now, let us assume that the "Dominion" is not restored. Then, what other solution do you suggest to the passenger problem in this particular area? This committee is a fact finding mission and is interested not only in getting the facts but hearing from the people presenting briefs what alternatives and what solutions they suggest. Now let us assume that the "Dominion" is not restored, what is the alternative you would suggest to improve passenger service?

Mr. MURDOCH: Unless the automobile companies start building better cars we will have to get more highways because the people are going to have to be able to travel and I think the government policy in future will be more immigration, so how are you going to get to western Canada? There will be more aeroplanes, more airports, more cars and more buses.

The CHAIRMAN: I am referring, of course, to the rail line passengers. Have you given any thought to this other than that the "Dominion" be restored?

Mr. BODIE: Well, I thought that when the Board of Transport Commissioners brought down their decision, some of the proposals made by the cities which arose out of that decision had some merit if in fact the cities—I am talking about Calgary, Medicine Hat, Regina, Winnipeg and possibly Fort William and Port Arthur. It seemed to me that there was some merit in the proposal that either the cities or the provinces concerned may work together with a view to introducing some kind of rail service between these cities. Now, this, of course, would require a hearing in itself to go into all the details of that but nevertheless it would seem to have some merit and should be investigated.

Mr. BELL (*Saint John-Albert*): Well, I am to blame Mr. Chairman. I happen to be sitting alongside of Mr. Boulanger and I thought with his great knowledge and interest in Expo he might have wished to add something about the interest there might be out west in this great project.

The CHAIRMAN: Mr. Bodie, Mr. Murdock, on behalf of the committee I want to thank you for making the presentation before us. It has been of assistance to us and if we have delved into it further it is because, as I have stated, this Committee is on the road this week to allow an opportunity to those who are not able to come in Ottawa to present briefs to present them in their own locality and also for us to be able to see firsthand and speak to people across the west about the whole problem of passenger service. Any queries we have put to you have been not only to obtain the facts but to obtain from the people presenting briefs what solutions they might have in mind to help us to arrive at a decision also. I want to thank you on behalf of the committee for appearing before us.

Mr. MURDOCK: May I ask one question?

The CHAIRMAN: Yes Mr. Murdock.

Mr. MURDOCK: Why did the Committee select to fly west and then go east instead of coming east and then fly back?

The CHAIRMAN: I will be very happy to answer that. It was a matter of timing, Mr. Murdock. We felt that ten days out of parliamentary life for the Committee which has been sitting since early February constantly investigating this matter, would not warrant that time just to come out west. We thought we would fly to Vancouver and then move east. We did not get into all the localities and the municipalities we wanted to with the result we were not able to make the proper connections. Owing to unfortunate circumstances that would have meant probably three weeks away from the House of Commons and we felt that in ten days with the connections we would make we could hear some pretty extensive briefs in Medicine Hat, Brandon, Winnipeg and Port Arthur. Time was one factor but at the same time we have been very encouraged by the reception we have been receiving and the number of briefs which have been presented. I can say that from Calgary onward we have six or seven briefs in each municipality to attend to and there will be no lack of information received. Thank you very much.

The City of Calgary brief is next. Alderman Davis and Mr. Smith, counsel. Would you come forward please. Mr. Alderman Davis will take care of the matter. Now I want to introduce to you gentlemen, the brief to be presented on behalf of the City of Calgary by Alderman J. E. Davis to my immediate right and to the far side Mr. J. R. Smith, counsel for the City. Alderman Davis.

Mr. SMITH: May I just make one position clear. As counsel for the City of Calgary I welcome your committee to the land of the big blue sky and warm chinook winds. The city is not making a written submission to this committee at this time. Mr. Davis will state the city's position and, of course, will be available to answer any inquiries from the members. Thank you very much, Mr. Chairman.

Mr. SOUTHAM: Mr. Chairman, may we have extra copies of the brief.

The CHAIRMAN: No, this will be an oral presentation Mr. Southam.

Mr. DAVIS: I might apologize for being late this morning. I am not nearly as tardy as some people claim the "Dominion" is but they proceeded to tear up the street between my office and here and this has its problems.

I might also mention that I find it very delightful to be presenting this brief the mayor did not overlook the importance of your Committee. The fact of the matter is that he is still over in Rome or in that area looking at ruins from the loss of the Olympics. However, I do say that it is a pleasure for me to present this brief. As far as the written brief is concerned, we as you know, have presented a petition to the Governor General in Council and we were concerned about the propriety of appearing before your committee. It was not until the last few days that the hon. Mr. Pickersgill assured us in writing that we were quite within our terms of reference to do so and as such, I am sure your reporter will have a more lucid transcription of what I say anyhow than possibly what the brief might contain.

The city's position of course in rail service, both passenger and freight is that we do feel it is important. It is particularly important to Calgary because of its geographic position. We do not feel, of course that it is up to us to argue the arithmetic of the Board of Transport Commissioners. We do not feel that it is within our knowledge or within our scope to argue their arithmetic. We do feel however that the abandonment of the "Dominion" should not be decided on the straight economics of the particular unit itself. We feel that an abandonment should take into account if such is necessary the historical development of the railway; the grants of land; the concessions. As you recall, the legislation says that the perpetual and efficient operation of the railway was to be its watchword. We, of course, as a nation cannot take objection to the specific order of abandonment as issued by the board. If on the other hand, however, the board does have the power to analyse areas of public interest and the equities in making its findings, then, Mr. Chairman, with great respect we disagree with the board's order permitting the discontinuance of the "Dominion". Perhaps the Committee feels its terms of reference do not allow the exploration of ancillary matters, such is this, unless we are out of bounds regardless.

We feel that the principal contention is that it is the purpose of the board to have determined other economics than just the "Dominion" itself. We are not here to argue whether it did or did not make money.

In 1881, the date that we have by the way, the CPR were recipients of substantial grants not only in money but in lands. These were enormous particularly in the west. The lands then we agree were probably not too valuable. We agree that they were not too valuable in the sense of the dollars of those days. However, in the dollars of today considering the mines and the minerals, the oil and foreign properties and so on, we suggest to you that they were extremely valuable even then. If you were to do a present worth analysis at that time—even at that time they were extremely valuable or they would not have entered into the agreement, because after all they were businessmen and as such they must have obtained it valuable. They were not so altruistic as to proceed on the basis of heart alone as a reality, but we feel that the land was an inducement. Here in the city of Calgary it is particularly unique in that they

had the odd section—even section method of land ownership and these sections were interspersed across our city. The city is relatively broad as you might have known. They were therefore in the private land development.

I mention Mount Royal one of our better known subdivisions as one of their developments. We have no real knowledge if anybody ever does of the CPR's bookkeeping but we do believe that they probably made a substantial profit in the sale of the Mount Royal area.

We do, on the other hand, agree that good management—the excellent management that they now enjoy and probably the excellent management that they have always had—had considerable to do with the fact that they are a multi-billion dollar company. We do not disagree with that. However, we do disagree with the fact that when these agreements were made those lands which were then in the territories did not have a say as to the value of the land and the position eventually that they would be placed under, and we refer, of course, to the statute of 1881 and that the land was held free from taxation forever more. I will not read out the act to you. I am sure by now or with the repetitious presentation—if not by now within the near future—you will be aware of this act. But it was discriminatory to the now provinces of Alberta and Saskatchewan and part of Manitoba. Calgary oddly enough was hardest hit of all. The freedom of tax was embodied in the Alberta act when the province itself was set up. It has even been held by the Supreme Court of Canada to include such things as business tax, if you can imagine.

In 1881 obviously there were very few people in Canada. We now have about 330,000, depending upon whose analysis you take, and as I mentioned this valuable piece of property goes right bang down through the centre of the city. Perhaps gentlemen on a nice day like today, for which weather we are quite famous, you might wish to walk over this tax free railway of ours so that you can deduce yourself what our position is. We might point out to you an interesting part of democracy as such a lesson in objectivity. In the day that the Palliser hotel agreement was brought into being there were 7,500 more or less burgesses in the city of Calgary who could vote on whether or not this was a good agreement. The vote at the time was 58 for 0 against. Now there were 7,500 voters. This particular agreement—the Palliser agreement—if it had been taxed in the normal business sense would have brought to the city \$4 million more or less in taxes since 1911. It is a fact however it only brought to the city \$750,000, a unique situation. The right-of-way itself which is 400 feet wide plus or minus and about 10,000 feet long brought to the city last year, for example about \$150,000 worth of tax income. If they had been a normal land holder they would have paid the city \$530,000 worth of tax income, a disparity, if you can follow my arithmetic, of \$380,000 for last year alone; that is the year 1965.

Now, we also, of course, realize that if they had been in the normal tax mill they would have had more interest in developing these properties because quite frankly if you have a tax holiday, as you know, from constant inflation it is more practical to hold on to a land inventory than it is to develop it. That is the situation that exists today, and I might suggest to you again that you might like to have a look at this property so that you can see that what we have pointed out to you is in fact very, very real. We feel then, that the consideration by the CP at the time should have been of other benefits.

When the statute referred to the perpetual and efficient operation of the railway we are sure that they embodied more than just the "Dominion" or the other trains that we have lost in the past few years. We feel that you could rationalize an idea cutting off the "Dominion" if the railway were in poor financial shape. But it is quite obvious to all of us that they are not in poor financial shape. We feel that you should look at the "Dominion" as a part of a balanced portfolio—a little bitter with the sweet possibly. We are not suggesting by the way the return of valuable properties to the government of Canada. We just do not feel that it is fair to look at the discontinuance of the passenger service in the narrow compartment of whether or not this particular service shows a profit to the company and to its shareholders. As for the matter of discontinuance obviously the city is bound to be affected.

If any of you are familiar with our brief to the Olympics, you are aware of the fact that we pointed out that we have a balanced transportation system in Calgary and Banff, and a balanced transportation system means just that. It means air travel for those who prefer to travel that way. It obviously means automotive travel for those who care to travel that way but again remembering that you do not unless you are quite an adventurer drive across Canada by automobile; particularly if you are a European or an Asiatic you do not rent a car at Halifax and drive across Canada. You usually find some more convenient method of transportation. We feel it has a very definite effect on our annual stampede. We feel that this balance of transportation is necessary. We feel the fact that we have 21,000 square miles of Canada's 26,000 miles of national parks is an asset provided, of course, that we can bring people in and out of it and share the amount of money that they would wish to expend in seeing these national beauties.

We feel that the "Dominion" then, is a very definite part of these assets. We do not necessarily say that the "Dominion" is the only asset we should have. The transportation system itself should be upgraded not downgraded. I am sure that you are aware as others have pointed out to you this morning probably in other briefs that to obtain booking on the "Canadian", the single railway that we have left, is indeed quite a problem. If you check with our local transportation agencies they will not guarantee you within the next near future this form of transportation, and by nature travellers are rather sporadic in their approach and they will make their reservations fairly late and if they cannot make them, they will go elsewhere.

After all we are in competition with the rest of the world in tourist dollars. We are not only concerned of course about summer. The "Dominion", of course, has been allowed to drift into a summer transportation system. Our interest in a country which I have to admit on a nice shiny day like today is primarily winter. It is, of course, in the winter tourist business as well as in the three months of summer tourism. We feel, therefore, that we need a strong winter transportation system and let us face it, in the winter time there is no finer way to travel than by train if you want to enjoy the scenic beauties from west to east or from east to west, depending on what direction you fellows go. We have the inducements in Banff and so on to make you doubly appreciate these things providing the transportation is available.

Calgary is quite a convention city. I am sure you are aware of this. We have first class hotel accommodations. Again, transportation is mandatory to the success because of our geographic position is considerably off the continental centre in so far as population is concerned. As a matter of interest a few days ago, we had the pleasure of the Hon. Mr. Winters making the key speech to the Chamber of Commerce on its 75th year anniversary and he pointed out that he could see the future of Calgary as being involved in air transportation. Obviously he was not going to usurp your position and say rail transportation, but he did mention the word transportation as being a part of Calgary's future. We very definitely feel it is and we can show you statistics *ad infinitum* to prove this to be the case. Edmonton by the way, our sister city to the north we hesitate to mention it by name but we do—has three CNR trains, I am told in the winter and four in the summer. This is a peculiar situation because Edmonton's economic return is involved in a large area of service to the north. In other words, the trains, if anything, are more important to Calgary than they are to Edmonton. And yet we have the illogic of Edmonton having four trains in the summer, three in the winter where we have one and we are not too sure how long that one will continue.

We cannot give you information on passenger loadings because the day to day loadings are not available to us. I am sure by the way if one of you would like to try phoning to the local station here to obtain the loading situation as it is today they would tell you to phone Montreal and if Parkinson's law follows its normal course Montreal will probably tell you to phone elsewhere. We cannot obtain the information but we know the travel agents cannot provide you with the booking. So, Mr. Chairman, winding up our submission, I might point out to you that we would like to repeat that the CPR's well being should not be determined on one unit of its operation alone, that the "Dominion" is only part of the unit, and if you are going to rationalize the CPR your terms of reference should be its whole operation possibly even an increase in this form of transportation and as such, then your terms your reference which you have allowed me to trespass all over probably might be more elastic. Thank you gentlemen. This is a resumé, of course, of the city's position and I would not like to conclude without sincerely thanking the Committee for the opportunity of appearing. Mr. Chairman, at this hearing and expressing these views for the City of Calgary.

THE CHAIRMAN: Thank you, Alderman Davis. I would like to say that we are happy to be in Calgary. We all appreciate this opportunity, because we missed their representation in Ottawa. This is why we thought we had better come back here. Mr. Smith, have you anything to add to Alderman Davis' brief.

MR. SMITH: Nothing at all, Mr. Chairman.

MR. ANDRAS: Mr. Chairman, gentlemen, many of the questions I had in my mind have been answered by the particular form of presentations made because they related to the concessions in the 1881 agreement. Perhaps I might ask just a couple of questions to fix the matter in my mind and to elaborate on it; for instance, the Palliser Hotel Agreement. Was this the only City of Calgary concession over and above concessions that were made on the federal level through the 1881 agreement? Were there any other city deals made with the railway to enhance their position?

Mr. DAVIS: Mr. Chairman, in 1881, of course, Calgary did not make any deals. In 1911, they entered into a number, the Palliser Hotel was one, the Ogden agreement was another and we had two or three others at that time. The Ogden agreement is now just a crossing agreement, and no more a problem to the city. With respect to the Palliser Hotel, we have asked leave of our local legislators to relieve us of its burden as well. The other agreements that I mentioned have long past being in effect on the city.

The CHAIRMAN: May I interject. Although in the brief presented by Alderman Davis, the Palliser agreement and other agreements were brought in, we are really involved in our terms of reference with the 1880 agreement. Any agreements entered into between the city of Calgary and the CPR after that time have no relevance as far as this hearing is concerned.

Mr. ANDRAS: I will not argue with you, Mr. Chairman. There are circumstances where it is relevant because it establishes a question of moral obligation to a degree; to the same degree that it does in the 1991 agreement. Nevertheless, I have had the answer to that particular question.

The CHAIRMAN: I will say again that any agreement entered into by any municipality with the CPR after the 1881 agreements is not within our terms of reference and I would so rule if I was forced to rule on that.

Mr. ROCK: Mr. Chairman, I would like to know what year was the city of Calgary incorporated and also what was the population of the city of Calgary at that time.

The CHAIRMAN: I cannot answer either of those exactly—1872.

Mr. ROCK: The reason why I asked this Mr. Chairman, was that I wanted to know what the population at that time was to find out whether the CPR had much to do as a pioneer in building the city of Calgary. That is all, Mr. Chairman.

Mr. DAVIS: I do not think there is an answer to the question. Obviously, yes. I do not think there is a single western city that would maybe exist in its present location without one or other of the railroads.

Mr. SALTSMAN: Mr. Chairman, I would like to address this to Alderman Davis. I was quite interested when the alderman expressed his concern over the loss of rail services and the dangers that might exist to the city. I was wondering if he is able to document any difficulties or any economic losses to the city of Calgary as a result of the discontinuance of the "Dominion".

Mr. DAVIS: The answer is generally no. We do know, however, of the aggressive pursuit of travellers that the CPR had carried out. It dropped an awful lot of them off here over a period of time in the last ten years; you probably read that in the brief delivered in Ottawa. They pointed out that they had an aggressive campaign to attract tourists and because of the interconnecting bus service on a kind of a loop system, we know a great number of these people ended up in the Calgary-Banff area. The exact number, sir, I cannot tell you.

Mr. SALTSMAN: I would like to ask you for an opinion regarding the rationalization of railway services. We have heard some evidence about the

number of trains between Edmonton and here and the question I would like to ask you is, do you need as many trains as that between here and Edmonton?

Mr. DAVIS: I think that is easy to answer. The Greyhound people, I am told, because of people who want to move around, and I think the city of Red Deer will speak on this subject, have now increased to 13 busses a day, some express, some local pick-up. I would suggest the business is there because I cannot imagine a private corporation of that size operating at a loss. I am sure they are not public benefactors. The business must be there.

Mr. SALTSMAN: Just one short final question. Referring to the discontinuance of the "Dominion" you also added another train. Would you elaborate on that, please?

Mr. DAVIS: Again getting back to evidence presented in Ottawa, there were areas of the day liner service. After all transportation is a balanced thing. We have air transportation connecting other forms of transportation. U-drives are part of the transportation system; trains are in the modern concept of transportation. All of these things that we mentioned in the hearing in Ottawa, of having looked at the effective return, included such items as the Day liner service from Edmonton to Calgary. I forgot who asked the question, but I think that it was Mr. Horner (*Acadia*) who asked this in Ottawa. These are the others that we refer to.

● (11.20 a.m.)

Mr. OLSON: Alderman Davis, I would like to refer you to the statement you made respecting the—I am not sure whether it was a statement or an expression which you had from your travel agent in Calgary—that it was now getting difficult to get booking for any rail service. Is it difficult or impossible to get booking travelling by rail to eastern Canada, this only being the 9th of May?

Mr. DAVIS: One can only go by the phone information they obtain but at this moment you cannot get your choice of days. You are all travellers as M.P.'s and you know that a particular day is all important to you. You cannot travel next Thursday if you have a constituency problem today. This is not available. You do not have a choice of time. They point out that the bookings for summer are very heavy and they will not accept too many additional bookings at this time. Of course, the distance you want to travel is also a problem. The answer you get all point out the same thing, that the difficulties are multiplying and that within a six week period of time they cannot guarantee you a space.

Mr. OLSON: Mr. Davis, in relation to last year, would the bookings for summer rail travel service be higher than for 1964?

Mr. DAVIS: I have no way of answering that. I would not dodge your question but I suspect so. I think that people are more travel oriented. Again I point out to you that the Greyhound Company is expanding by leaps and bounds into this area of tourism. The statistics that were put together for the Olympics—the national DBS statistics are not too available in this field—all point out to a more travelling and affluent public and we think that if the transportation was available in quality that the answer to your question would not only be yes but would obviously be yes.

Mr. OLSON: What is your opinion as to the interest in Calgary, with respect to Expo '67 and centennial travel plans in general? Do you expect a significant upsurge in demand for the summer, or for the whole year, of 1967?

Mr. DAVIS: I think the answer to that is, yes. I know that I will go to Expo and probably by air. I am sure that most others, if given the opportunity and all things being equal at the time, will certainly wish to go to Expo. We did not cut Quebec adrift as far as the west is concerned and I think we still feel that it is very much a Canadian show.

Mr. OLSON: Do you think that there will be some people coming to Expo from overseas who will want to come to Calgary, too?

Mr. DAVIS: There is no doubt about it. I made mention of that in the brief. The large flow of European travellers that we now have coming to Canada consists of a considerable portion who prefer to go by rail. They are traditionally rail-minded. In this part of the world, because of the great distances, we are more inclined now to go by air because of the time parameters. But in European travel, even at this moment, it is mostly by rail, by both the older people as well as the young. They have a tendency then to disembark ship or plane and then prefer to see Canada by rail because it gives them a better opportunity to really see Canada. After all, from the air what do you see? The same thing applies to us when going to Europe. I do not believe that you would see Europe by air. Generally, it is by bus or by rail and the loss of this train means the loss of a facility for them to see Canada. I think also that it is a great financial loss at least in summer, but we feel it is a greater loss to Calgary during the winter because we spend a considerable amount of money in winter tourism, and this particular type of tourist has little more time on his hands and is inclined to go by more definite patterns. He is not the tent traveller that the summer tourist is and therefore we think it will be a loss to us.

Mr. PASCOE: Mr. Chairman, as a followup to your suggestion or your statement that we did not hear from the representatives of Calgary at Ottawa—and I think Alderman Davis explained that very well by saying that he was not sure of the situation regarding the appeal—I have here the seventh report of our Committee dated Thursday, March 24, and in the brief it says,

We represent the municipal authorities of the cities bordering on the main line of the Canadian Pacific Railway from Calgary to Winnipeg

And at the end it says,

All of which is respectfully submitted on behalf of the eight cities from Winnipeg to Calgary

I take it from that, that you agreed with the brief that was presented to us?

Mr. DAVIS: Yes.

Mr. PASCOE: I read also:

We believe that adequate transportation facilities are not only an amenity of an expanding urban society but also are the very essence of necessity for our economic survival of cities.

Would you agree with that?

Mr. DAVIS: No, sir. As I pointed out in our brief each city has a somewhat different problem. We think that we will lose considerably by the loss of a first class transportation system. However, we do not feel that this marks the end of time. In due course Calgary, like the others, will pursue a more aggressive area of obtaining alternative transportation.

Mr. PASCOE: I have two more questions. You may agree with this first statement:

An immediate re-examination of all aspects of transportation and the national transportation policy should be formulated and implemented.

Do you agree with that?

Mr. DAVIS: Yes, sir, we do.

Mr. PASCOE: And do you agree with this statement in the brief that "One board should be over the entire field of transportation"?

Mr. DAVIS: We think that this is one of the more positive pieces of legislation that will be coming down this year in Ottawa. Quite frankly this business of transportation has become in itself a unique subject. As I mentioned a moment ago, that transportation is a balanced item now. It is no longer that you go by rail, by car or horse and buggy. These parameters of transportation are an integral part of each other and the only way that you are going to co-mesh them is to have a board who looks at all forms of transportation as a unit requirement. Obviously, rail is part and parcel of an air system and the air system is part and parcel of a ship system. Obviously the car is an ancillary to both of them. We feel that the only way you can relate these subjects is to put them under a knowledgeable board that will realize, particularly in our western reaches, that balanced transportation is all-essential. I believe, as the Hon. Mr. Winters has pointed out, when he was speaking in Calgary, that transportation is our future.

Mr. PASCOE: Thank you, Mr. Chairman, that answers my questions.

Mr. CARTER: Mr. Davis, you spoke of the importance of conventions and the tourist business to Calgary. Do you have any statistics, or could you express an opinion, as to whether you had fewer conventions and fewer tourists since "The Dominion" has been taken off, or are they still coming in the same numbers, or perhaps increasing, but arriving by other forms of transport?

Mr. DAVIS: You know I am a professional engineer, Mr. Carter, and the problem that we have here is, how far is up. In drafting the expansion of our tourist business, we have a fairly sharp graph. We do not know, however, whether the graph might have been sharper had we been able to have a more flexible and fluid form of transportation. We believe our increase would have been greater than the increase we are expecting. On the other hand, I cannot answer directly whether we have lost conventions because of the loss of "The Dominion".

The CHAIRMAN: On this matter of conventions, sir, where do the people come from mainly? Are they national conventions, or are they within the western area? Where do they originate?

Mr. DAVIS: We have a fairly broad group of conventioners now. There are, of course, the usual number of local conventions—like Parkinson's law everyone now has a convention. We are now attracting national conventions and as a matter of fact in the coming years two international conventions have been booked and we hope to increase these. The international convention which we would like to pursue is one like the international oil convention. This type of convention is the ultimate in conventions where you have a built in buy-sell arrangement. If you attract an international convention these people go back to their native clime, whether it is in Europe or Asia, and they will point out, at much lower cost, the values of Canada, the ability of Canada to produce. These people are our sales force and they are not a sales force that has to be subsidized. I do not like the word "subsidy". These people will sell for us. These international conventions are the ones that we are inclined to allude to.

The CHAIRMAN: Thank you, Alderman Davis.

Mr. HYMMEN: Alderman Davis, I would like to ask you one question. Due to the cancellation of the "Dominion" and the reservation problem, are there people in Calgary who are making reservations from the CNR at the nearest points and is the situation more satisfactory?

Mr. DAVIS: I suspect the answer to that would be no. I know of a few people, including my mother, who prefers to go by train who will go to Edmonton to catch the train. I think that is almost unique. I do not believe that there are too many who are going to go from Lethbridge, shall we say, to the confused day liner system which does not connect to anything, as the alderman from Red Deer will point out, to connect to a national carrier. These connections are not good, the distances are certainly tiring and I do not believe that we are particularly enhanced by the fact that there are three CNR in the winter and four in the summer.

• (11.30 a.m.)

Mr. BYRNE: Alderman Davis, I would like to ask you a question related to the Alberta Federation of Labour recommendation. Would the city of Calgary agree with the proposal of a new transportation commission made up essentially by members of Parliament and a cross-section of the public of Canada. Would his be an efficient way of managing our transportation affairs in Canada?

Mr. DAVIS: The obvious answer is that it would depend upon the class of personality and the knowledge that they would have. I have a great respect for the Board of Transport Commissioners. During my 16 years in professional life I have dealt with them many times and I have great respect for their ability.

Mr. BYRNE: I do not think that I inferred that, Alderman Davis.

Mr. DAVIS: I do not think that I ever suggested in this brief of ours that I have any disrespect for their ability and I think that that point should be made very clear. On the other hand, I do believe that the act under which they operate does not permit them the flexibility which is necessary to work a balanced transportation system. Neither do I believe that we should have this ad hoc at large group of volunteers to operate a transportation system. I do not necessarily have anything against M.P.'s as I am sure you have nothing against

aldermen. Quite frankly, your positions are clear and I do not believe you are experts in the transportation business. I know I am not. I have nothing against the Federation of Labour. They are an astute body but again I do not believe that they are prepared to cope with the requirements of the transportation system in one of the largest land areas in the world. I believe that you need expertise for that and if you use lay people to provide the Mrs. Grundy feeling toward it then find a pendulum but certainly do not make the system operate under them.

Mr. BYRNE: A further question, Mr. Davis: You certainly have given a very broad interpretation of the transportation problems in Canada and I think your analogies are very, very good. You have said that transportation is a matter of balancing it with requirement. Would you agree with Mr. Murdoch of the Alberta Federation of Labour that the two other forms of transportation—bus transportation, automobile or rail transportation are being subsidized highly by the taxpayers?

Mr. DAVIS: I do not have any doubt about it. The airline business pays a landing and take-off fee as you know and they pay for counter space at the airport. As such they do not pay what one considers their fair burden of cost. The city of Calgary owns its airport, at least until we find out who to sell it to. We own it and we know that while we make a profit, we are not making a profit in the normal sense of the word. We do not charge depreciation and so on. We make a profit but it is a paper profit. The air lines do not pay their tariffs. We know the bus system does not pay it, because they pay a use charge. If they are on the road they pay for a licence. If they are not on the road then obviously they do not. But, the road itself must be built in any case and there is no argument about the fact that the public purse so-called builds the highway systems, either Trans-Canada or the local systems. The income from gas and oil at the moment, if you follow the arithmetic the Americans have turned out on the subject, has not been sufficient to pay for even the inter-state, never mind all the local carriers and lines that are required. As far as the rail service is concerned, we contend it too is subsidized. It is subsidized at the expense of discounting the Chairman's subsidy remarks, of course the 90 million that you put into it. They are subsidized by the fact they have a tax holiday in what was then the Territories. But of the four forms of transportation, the rail system probably paid the fairest share of their cost.

Mr. BYRNE: You said that you are not an economist and not a railroader. Are you prepared to accept, on the face of it, the railways contention that they will be losing something like \$20 million in their passenger operations this year?

Mr. DAVIS: I thought you fellows did an excellent job of grilling them in Ottawa and I think I would probably agree with what you did. There are areas of expenditures which will continue regardless of whether or not "The Dominion" carries on. I think we can also agree that the analyses of figures of the economists and accountants were substantially correct after discounting these continuing costs which really will not be gained in the loss of "The Dominion".

Mr. BYRNE: Do you believe that if the rail fares were increased to a point where it would balance off the cost of providing the service that there would be any difficulty in obtaining reservations on the "Canadian"?

Mr. DAVIS: I do not think there would be any difficulty in obtaining reservations if you raised the price because fewer would travel. Unfortunately—and you find this with transit systems and so on—that if you raise the price the line of diminishing returns sets in and you drop the number of people who would travel. The CNR have tried the reverse as you know. They have gone to their three colour system, they have lowered the price, they got more people and they are probably losing more money. We have the same situation in transit here at a local level where you can drop the price to being free and you will probably run a full bus system. You raise the price to try and make a return and the number of passengers falls off proportionately and you lose money. But the real subject we are talking about is cost benefit, are we not? What is the cost and what are the benefits? This is where the ouija board comes out, because at this moment we do not have enough sophistication in economics to determine what the cost benefit to Canada is as regards to the "Dominion". I understand in part that this is the point of your committee, to try and adjudicate information to determine whether the \$20 million should be looked at or whether the cost benefit of Canada as a whole should be looked at, and I rather hope that at the end of the game you will find out that the benefits are in excess of the cost.

Mr. BYRNE: This is partly what I am leading to, Mr. Davis. We have accepted the fact that all other forms of transportation are being subsidized to a fairly large degree. We have an arrangement entered into back in 1880 which sets out that certain things must be done. There is no doubt about the fact that the CPR officials of the day were astute businessmen and knew what they were doing. Do you not think, at the same time, that if we are going to strike that even balance, that we should accept someone's word that there are losses? We accept the Canadian National Railways' statement that they are losing somewhere between \$35 and \$40 million. We accept that we should then endeavour to provide a subsidy for the passenger transportation which is a loss at this time, if we are going to treat all of our transportation systems fairly.

Mr. DAVIS: It would be easy for me to agree with you, but unfortunately I cannot. We point out in our brief that we do not think you should single out the "Dominion". We believe that you should look at the balanced income of the railway company and the obligations per se and that they should continue on with passenger service as the country expands and should be in increasing amounts not in decreasing amounts because their commitments and obligations increase and not decrease. We feel they are making a substantial return on their investment and as such they should provide the service that was incumbent upon them as set out in the original act. On the other hand, I do not feel that a subsidy as such is the answer to it on the narrow line of the "Dominion". If there are other problems that the rail companies have accepted beyond the scope of their original intent then you might well consider a Canadian benefit or subsidy for the good of Canada, but not a subsidy as such.

Mr. BYRNE: Would you not agree that the air lines for instance, cannot possibly reach their full potential if we continue to require the railways' systems

to operate at a loss? We cannot expect the CPR to operate at a loss and not the CNR. Will the air line ever reach its full potential? We are not able to determine exactly how much we are subsidizing them by building the airstrips and so on. Would they ever reach their full potential if we continue to require the transportation companies, or the taxpayers indirectly, to subsidize a lower rate that is what has become known as an effective demand and providing a service that is not economical?

Mr. DAVIS: Well, Mr. Chairman, that is a very difficult question to answer. I would suspect that the rate structure of the varied forms of transportation, with the exception of bus-rail transportation, does not determine their survival. The airlines have moved into the business in the last few years and have required a great input of capital. They have a field which was unique and without any precedents so far as investment capital was concerned. It looked like a very high risk area and as a matter of fact it only matured because of the second world war. I do not believe, however, that you can apply the same yardstick to the rail business. I believe that within a reasonable period of time—I suggest that this is open to argument but probably within a decade—that the air lines will be able to pay a substantial return, not only to their investors but will be able to pay for proper air line use and probably within that period of time they may even pay for corridor use, the use of air space at a national level. I suspect as you provide—and I say “you” advisedly—more leisure time that you are going to provide more travelling people and therefore will have a larger return on aircraft when you get up to the 500-700 passenger version and they will be able to achieve a fair burden.

I do not believe that the two are comparable items. They are basic transportation, but I do not think you can look at them in the same fashion.

Mr. O'KEEFE: I think Alderman Davis has answered a similar question to what I had in mind. When you think of transportation as a unit, as one unit with different perimeters, I am not quite clear if you suggested how we should pay for any deficit with regard to that unit, to each perimeter.

Mr. DAVIS: I do not think that we are prepared to answer that, but I do feel this, that while I am very much a free enterpriser, I have watched the American system of competing airlines refusing to meet each other's schedules and being one of the most illogical things that anyone could have ever invented. I have just come back from Houston where we tried to get two major airlines to tie in their schedules because they travel into Canada and each one refused to do so. It would seem to me that Canada cannot afford that type of approach and that we should take air transportation, ground transportation—other than the automobile which you cannot put under any form of rational analysis—and tie them in together so that they are economically viable.

Mr. O'KEEFE: Any U-drive business could be brought into that system which you suggest?

Mr. DAVIS: I do not know how you would bring them into the system but I suggest to you that if you provide the environment that they would, of course, be one of the logical benefactors to the system and as such when they are in the 52 per cent tax bracket, yes, you brought them into the system.

Mr. OLSON: Mr. Davis, from your answers a few minutes ago, I got the impression that you hold some views somewhat at variance with the Alberta Federation of Labour and others insofar as the make-up and purpose of this new transportation board encompassing all forms of transportation in Canada and you went on to express your views about the Board of Transport Commissioners and so on, which I do not disagree with, but what I would like to ask you is whether or not you believe the present Board of Transport Commissioners are or ought to be a policy-making body or are they a regulatory body insofar as their administration of the Railway Act is concerned?

● (11.50 a.m.)

Mr. DAVIS: Mr. Olson, first I would like to mention the fact that the Federation has done a great deal of work on their brief and I would hate to leave the impression that I disagree per se with their brief. All I am saying is that they have one approach as to how it should be done and I have another. However, mine is off the top of the hat and they have done a great deal of work on theirs.

Mr. OLSON: I am trying to get at your position with respect to this and I wonder whether or not you think there ought to be a policy-making body respecting transport that may not necessarily be expertise in transport but who may have a fairly wide general concept of transportation requirements somewhat different than an administrative body.

Mr. DAVIS: You mentioned the words "regulatory" and "policy-making" group. Obviously the act as set up, I believe, invites the fact that they are regulatory and not policy. I think the act is quite specific in that you are policy and theirs is merely to carry out the regulations as brought down by parliament from time to time. However, I also feel that we live in a changing world. You neither have the functional ability nor can you move within the time parameters required to make that operative. They are now probably regulating by a group of regulations as such which are many years out of date. Now, the obvious methods of correction are there. The easy method, of course, is to set up a business corporation of the type that would operate transportation in a practical sense. At the same time I am intelligent enough to know that we must look at the problem of democracy that goes with it. I would suspect that Mr. Pickersgill, the Minister of Transport, who is bringing this legislation into parliament, would probably have in mind a dual situation, a new minister of transportation, which in itself sets the broad political philosophy, if you wish to call it that. I only hope that it does not go much farther than that. At the same time, he will provide both expertise of the engineering type shall we call it, or the economic type would also incorporate in with the people who have knowledge of the rail. These two bodies and probably by the rules under we work, would work cooperatively even though the final say would always go through the minister, back to Parliament to maintain the status quo of our system. I think that you could set up an organization that would do this and do well, but you might have with it of course, the problem which would be associated in having to discontinue certain things to improve others and then you are back to the political argument and I do not know how you would solve that one.

Mr. OLSON: I want to be very clear on this, because of what we are looking at here. In replacing the Board of Transport Commissioners, the replacement that is required is only for policy, but not for regulatory administration.

Mr. DAVIS: It is true. I think that they are as fine a group of experts as you would see on the face of the globe. At the same time they are quite obvious, and they make quite a point of it; they are not the policy setters. Now, it seems to me in today's world that you cannot divorce the two as we did in the early days of the rail business.

Mr. OLSON: In their judgment respecting the "Dominion", I think they suggest, and I am not saying they complained about it, but they did draw to the attention that they did not have a policy, and that they were in fact making policy with this Judgment.

Mr. DAVIS: They made the point very, very clearly and I am sure they were making it to you fellows. I mean, there is no doubt about it, they know where policy comes from—and no doubt about the fact that they are intelligent and realize the handicap that they are placed under or that you are placed under and I think their point was well made and I presume that the Committee will come back with glowing terms on how this can be done, and I am sure it can.

Mr. OLSON: Just one other question then. Do you think that there needs to be a policy-making board between the Board of Transport Commissioners and Parliament or do you think that Parliament could adequately and functionally deal with these details of policy that may be necessary between Parliament and the regulatory administrative body?

Mr. DAVIS: Well, I hate to be facetious, but I suppose with the present majorities and problems of Parliament, it is very difficult to bring down policy that one side or the other will not pick on. I am not too sure how you would resolve your own problem in Parliament, but I do feel from a straight layman's point of view—from the technical point of view, that you could set up through Parliament, a policy-making organization with pretty broad terms of reference, and could apply to that the principles of good organization, good business judgment and make the two work. Now, you might say that it is impossible—I suggest to you that the rail was built in the first place, the airlines were built in the first place, that it is very much possible, providing that you can agree on what the broad policy is—what the terms of reference are, and that would be your major stumbling point, will it not? This would be the area you would have so much difficulty in trying to agree upon. To me, it would be simple. In the rules of Parliament I imagine it is far more complicated.

Mr. OLSON: This is very interesting. I would like to pursue it, but I will pass for the present time.

The CHAIRMAN: On this trip, which is as Mr. Olson stated is a very interesting topic, and which concerns us very much. Would you not believe that a one organization, new Transportation Board, or whatever you call it, that is in the mind of the Minister and of many people who presented briefs. Do you not believe that that one organization could both set down policy and regulate at the same time?

Mr. DAVIS: Yes, I do not think that I disagree with that. From a business point of view, it makes good sense, because the CPR does just that. They determine policy and they determine corporate security, at the same time. But, I think we are always aware of the fact that there are those who will cry, "dirty pool, this is not democratic" and it is in this area of policy that I can see a problem. What rights are you going to opt out to this board. The probability is that you are going to have ministerial discretion involved here, and how broad that will get, you can answer better than I can.

The CHAIRMAN: I would assume Alderman Davis, that this board would still be responsible in the end to the minister?

Mr. DAVIS: The amount of responsibility is the trick of whether it is a handcuffed board of a functional operation.

Mr. BELL (*Saint John-Albert*): Surely Mr. Davis, or no one here thinks that we can take the final responsibility of policy away from the Government, and any Board or new body that we set up that might include Members of Parliament and other people from across the country could only be advisory.

Mr. DAVIS: As I say, we did not bring this up in our brief, but I do not disagree with what you say.

Mr. BELL (*Saint John-Albert*): One question I wanted to ask you Mr. Davis, because you have been very interesting—is part of what you were trying to put forward here today contained in the statement the CPR made and their Summary Point 45:

The perpetuation of passenger services that are no longer patronized and the diversion of traffic from other media by the normally low fares is a misallocation of transportation resources, and a disservice to the interests of the Canadian people, if Canadian Pacific had failed to adjust its passenger rail service to the effectiveness, it would have been derelict in its duties and responsibilities to the people of Canada.

They made quite a bit of that in the brief, that is part of what you are trying to indicate.

Mr. DAVIS: I do not disagree on the CPR's management and philosophy. I think that it is well taken. As a matter of fact, the counter part in the United States is that where an airline is subsidized to serve a particular region, the region continues to obtain service as long as they patronize it. Otherwise, it is discounted immediately. Even though they have a broad policy of Government subsidy, if you do not use it, it is discontinued. I think that that is a good policy, and I think that part of their policy I agree with. However, their responsibility as to modernization of the rail—of keeping it up in modern times, to tie it into the other transportation requirements, I do not believe has been that well carried through. Now, they say that they cannot computerize. What they are really saying, if I were to follow that through is that they cannot see how they can tie in with the other services, including their own. I suggest to you that a Transport Board is going to be one of the most germane things to their discussion—how do we tie the varying forms of transportation together in an awful big country.

Mr. BELL (*Saint John-Albert*): It is very interesting, and I take the liberty of suggesting that this type of thinking should go forward to the Minister in the future, because he has called on the Canadian people recently in a speech in Winnipeg to "let us have the suggestions" and it could be that if you are interested, it would be very well received.

The CHAIRMAN: Gentlemen, there are no indications of further questions, want to thank Alderman Davis, on behalf of the Committee and myself, and especially as a former Alderman, and on behalf of the members of this Committee who are former Aldermen, say it is very nice to have an Alderman in such a lucid and straightforward presentation—and a very informative presentation, sir. I think that you have been very helpful to this Committee. You have touched upon the passenger problem with the CPR. You have also touched upon a problem in which we are very interested, and which does fall within our terms of reference. Again sir, I would like to say thank you very much for the fine presentations you have made to use, and who knows, we may call on you again very shortly—and I would like to thank Mr. Smith too. Gentlemen, I think it might be a good time to say to Alderman Davis while he is here that one of the natives of this city, Mr. Ballard, has been very helpful to us in the City of Calgary in certain arrangements, so we want to thank Mr. Ballard too for his kind assistance. Now, before we move on to the next brief which will be that of the city of Red Deer presented by Alderman R. G. McCullough, I think this would be a good time to have a ten-minute break. At 10 minutes after 12 o'clock we will resume the presentation.

(After recess)

The CHAIRMAN: We have a quorum. Gentlemen, before we proceed, we have definite indication that we will not be able to leave Calgary—the train is somewhat delayed because of a washout—until about 7:30. It could be later, but 7:30 is the time now. That would put us into Medicine Hat somewhere around 10:30. A suggestion has been made by Mr. Olson that we take a bus to Medicine Hat which would take us some three hours Mr. Olson? I would like to put it to the Committee now, if after the briefs are presented, all our luggage would remain on the train, the train would meet us in Medicine Hat, and we would make arrangements for a bus to transport the Committee to Medicine Hat for the function that has been set up there by the City of Medicine Hat. Do you have any comment on it?

Mr. REID: We would be able to test the efficacy of other services.

The CHAIRMAN: Mr. Ballard was arranging something for lunch. Now, Mr. Ballard do you have anything to add?

Mr. BALLARD: Mr. Chairman, I have made arrangements for the Committee to have lunch at the Petroleum Club, which is about two blocks from the Court House here, and I called it tentatively for approximately between 1 and 1:30. We could walk over to the club. It is not that far.

Mr. OLSON: Mr. Chairman, may I suggest that we consider this bus transport to Medicine Hat because what has been arranged for this evening would have to be cancelled; it cannot be postponed, because there is no other time while we are in Medicine Hat, which it could be postponed to. The

other thing is, that if we have completed our hearings, say by 4 or 4:30, it seems to me that there would be sufficient time to drive to Medicine Hat on the bus, and also to have some lunch either en route, that is to replace dinner, or I could phone and make arrangements for some additional food supplies when we do arrive at the reception.

The CHAIRMAN: Mr. Olson, gentlemen, I would think it would be wise that once we have completed, we make arrangements to have a bus transport the Committee to Medicine Hat.

Mr. CANTELON: It would be most ungracious if we did not accept it.

The CHAIRMAN: Yes, I think so. I will advise the clerk to have a bus available at 4 o'clock at the CPR station, to meet us right at the train.

We have with us now, Alderman R. G. McCullough of the city of Red Deer who will be presenting a brief on behalf of the city of Red Deer. When this brief is completed, if there is time, we will hear from Mr. Baron but if not, I think we will have to adjourn right after the presentation of this brief, and resume after lunch, and we will decide what time we will adjourn. We will adjourn immediately after the questioning is completed of Alderman McCullough.

Mr. CARON: There is no brief for us?

The CHAIRMAN: No, there is one copy which I have. Alderman McCullough will give an oral presentation. Alderman McCullough.

Mr. McCULLOUGH: Mr. Chairman and gentlemen, members of the Committee, Alderman Jack Davis steered a very skillful course through the questions which you posed to him and has demonstrated his depth of experience in the field in comparison to myself. I would hasten to align the City of Red Deer presentation in general with that of the City of Calgary. There are one or two exceptions however. First, he failed to include mention of the amenities, which we have in common with the City of Calgary. He did not mention Red Deer, and certainly we share many of the fine attributes of the city of Calgary. The other is, of course, in the area of taxation of the CPR. I believe that the city of Calgary has a deal which is different from that in force within the city of Red Deer.

In passing I would like to mention something that might be of interest to members of the Committee, the acquisition by the city of Red Deer of the Penhold Runway facilities which we now have in full operation and which are functioning smoothly. The city is extremely happy to acquire these facilities. We have made application to the Department of National Defence for additional hangar capacity. These hangars are now empty, and we are in hopes that we will get a favourable decision for hangars to go with the runway facilities.

Representing mayor and council of the city of Red Deer, I would like to at first express thanks to this Committee for the opportunity to make representation to it concerning passenger services of the Canadian Pacific Railway. This morning is the earliest that I have had an opportunity to read written reports of your proceedings, but I have read a few of them. Some excerpts, particularly with reference to the much used phrase "effective demand" have interested me greatly. The situation at Red Deer is as follows: The present dayliner service

does not do a good job of catering to the needs of the one hundred thousand plus people living in the Red Deer area. The schedules are such as to make it awkward for people wishing to spend the day in Calgary or Edmonton or to journey to Lethbridge, and extremely awkward for returning to Red Deer area citizens who are unfortunate enough to arrive in Calgary or Edmonton after 5:30 p.m. Can true effective demand be known when schedules do not cater to the needs of potential customers?

The second point: It costs about half again as much per mile to travel by Canadian Pacific day liner as it does to travel by bus. Can true effective demand be known when prices are artificially high by 50%? Red Deer citizens wonder if indifferent scheduling and artificially high fare prices are a prelude to another application to curtail or abandon Day liner service between Calgary and Edmonton, because of alleged unprofitable operation. The tactics described are bound to make it impossible to measure effective demand and as well, to yield a handsome deficit. Broadly speaking, does the CPR plan to deliberately make its train service so unpopular as to result in a completely exasperated public demanding nationalization of CPR passenger services? Does the CPR seriously believe it could persuade the Canadian public to accept its traditional responsibilities to provide a reasonable level of passenger train service, without the Canadian public demanding an accounting for the hundreds of millions of dollars of benefits it has received and continues to receive in payment for its services?

Has the CPR not prejudged its passenger service to be unprofitable, without making any serious attempt to overcome its inflexibility in meeting changing customer demands and preferences? In Red Deer, it is felt that more attention by the CPR management, to scheduling, pricing of services, and merchandising, would result in a great increase in profitability of the Calgary-Edmonton "Dayliner" run. Certainly, the City of Red Deer would oppose any curtailment or abandonment of this particular service. This completes the written portion of the brief, and because I personally have had very short notice, although I have a continuing interest in the transportation field—I have had four days to bone up on the specific aspects of the terms of reference of this Committee, and with no chance to obtain the written proceedings—it has been somewhat difficult.

However, I do have feelings on behalf of the city, in respect to grain handling, in respect to other aspects of service which the CPR provides, and to the extent of the Chairman's allowing the stretching of the terms of reference, I would be quite happy to discuss any of these areas.

The CHAIRMAN: Not grain handling. Just a moment please, before we commence the questioning. I believe the delay which Alderman McCullough stated, as far as notice was concerned, was notice by the City of Red Deer itself. I just want to clarify that, Alderman McCullough; it was not from the Committee.

Mr. McCULLOUGH: No, certainly the letter which came to the city was dated April 18th, and our council meeting which dealt with the matter was last Monday night, so I did not have the opportunity to get the necessary proceedings.

Mr. CARON: You were speaking of the service given between Calgary and Red Deer. At what time does the train from Calgary go back to Red Deer at night?

Mr. McCULLOUGH: It leaves Calgary at 6:30.

Mr. CARON: At the latest?

Mr. McCULLOUGH: Yes, that is the one train, and there is a morning train that goes up. I believe it leaves Calgary around 9 o'clock in the morning, to go to Edmonton, stopping in Red Deer—arriving about 10:17.

Mr. CARON: How many day liners do you have each way between Red Deer and Calgary or between Calgary and Red Deer?

Mr. McCULLOUGH: We have the one morning day liner and then the evening day liner.

Mr. CARON: One in the morning and one at night?

Mr. McCULLOUGH: Yes.

Mr. CARON: How was it in the past? Have they taken away some of the trains you had?

Mr. McCULLOUGH: Yes, they did have—I do not just know the exact date, but I believe a year or two ago there was an afternoon train, which was not a day liner. It was a standard conventional train.

Mr. CARON: But even a day liner, at that time of the day would be very helpful for the people from Red Deer coming to Calgary—if they had one in the afternoon?

Mr. McCULLOUGH: Yes.

Mr. CARON: What time would you suggest to have one of these trains going back at night, to be more useful to the people of Red Deer?

Mr. McCULLOUGH: Speaking from personal experience, I have arrived in Edmonton, and in Calgary, probably fifteen times over the past three years, on the evening flight from Toronto, and unless you have someone meeting you from Red Deer, a distance of 90 miles, you are forced to stay overnight in Calgary or Edmonton.

Mr. CARON: At what hours were those flights coming in?

Mr. McCULLOUGH: Well, the ones into Calgary made it impossible—I do not remember the exact time, it was four or five o'clock in the evening—to get from the Airport to downtown, to catch the bus or the train. It was difficult. I think on several instances the flights were late, making a 5:30 arrival time in Calgary. In Edmonton, with an arrival time of around six o'clock, you are in the same situation.

Mr. CARON: There is no day liner after six from Edmonton to Red Deer, not any more than there is from Calgary to Red Deer?

Mr. McCULLOUGH: It is the same situation.

Mr. CARON: What time does it take from Calgary to Red Deer?

Mr. McCULLOUGH: It takes about an hour and 20 minutes.

Mr. CARON: So, if you had a day liner at ten o'clock, it would be much better for the population?

Mr. McCULLOUGH: Trying to assess the needs of Central Alberta residents, I would suggest that a better schedule would provide for someone leaving Red Deer in time to get to Calgary in time for a ten o'clock, hearing in the morning and return in the evening.

Mr. CARON: At what time in the evening would it be better?

Mr. McCULLOUGH: 6:30 in the evening makes it impossible for returning air travellers, although it is convenient for people who are spending the day in the City.

Mr. CARON: If you left at six o'clock, then you could go a little further, and it would be better for everyone.

Mr. McCULLOUGH: Yes, if it were later on—say, seven or 7:30.

Mr. CARON: Or even nine?

Mr. McCULLOUGH: Or even nine.

Mr. CARON: Thank you Mr. McCullough.

Mr. REID: Mr. Caron has asked all my questions.

Mr. OLSON: Mr. McCullough, I would like to ask you if the residents of Red Deer and other districts in central Alberta who would go to Red Deer in an attempt to obtain CPR service, experience any difficulty in getting reservations?

Not only on the train from Red Deer to Calgary, but on transcontinental or trans-Canada runs on passenger service.

Mr. McCULLOUGH: Very much so, Mr. Olson. The experience of Red Deer people, I would think, would be more unfavourable than people living in Calgary, and I know of several instances where people in Red Deer have applied prior to the taking off of the "Dominion" service, for space on the "Dominion" or the "Canadian" and even applying a month in advance, were given no satisfaction until the day before, would phone up in urgency to get some answer from the railway as to what their status was. In one instance, the man was never notified. It went past his proposed departure time and his request for space was never acknowledged.

Mr. OLSON: You would say then, that it has been very unsatisfactory?

Mr. McCULLOUGH: It has been very unsatisfactory and I would suggest that the situation has been made worse by the lessening of the service—the taking off of the "Dominion".

Mr. OLSON: Have the railway company or their agents given any reason for this unsatisfactory response for demands for service?

Mr. McCULLOUGH: An employee of the railway of course, would be in a difficult position in interpreting the policy.

Mr. OLSON: What I would like to know is, do they say there is no space available, or they cannot accept it until the day before the train goes, or what—do they know whether space is available or not?

Mr. McCULLOUGH: The usual answer is "We have no word back from Calgary"—and it might as well be Montreal, for the seeming delay in communication between Red Deer and Calgary or Red Deer and Edmonton—it would not apply in this particular instance.

Mr. OLSON: Just one other question, Mr. Chairman. I would like to ask Alderman McCullough if the connections between the CPR service from Red Deer to Calgary are satisfactory for the transcontinental run?

Mr. McCULLOUGH: To my knowledge, and again speaking from personal experience—

Mr. OLSON: The "Canadian" goes through here at 1 o'clock—Westbound—when it is on time.

Is there any train you can get on at Red Deer to put you into Calgary at a reasonable time?

Mr. McCULLOUGH: Yes there is. The morning day liner would get in time to catch it—I think there would be an hour lag.

Mr. OLSON: What about people who came in on that train, and arrived in Calgary at about 1 o'clock?

Mr. McCULLOUGH: They would wait five and a half hours.

Mr. OLSON: I see, and anyone coming down from Red Deer to go East. Is there a reasonable connection?

Mr. McCULLOUGH: "The Canadian", I believe leaves at—is it two o'clock?

Mr. OLSON: No, I believe it is about 5:35.

Mr. McCULLOUGH: Well, he would have another five-hour wait, and I would also like to suggest that travelling from Lethbridge to Red Deer or Edmonton in this province is a real experience. If a Lethbridge businessman wants to do business in Edmonton, he would not attempt to go overland, he would have to try to go by air. It is a two-day proposition.

Mr. OLSON: He would not attempt to take a rail service. He could drive though.

Mr. McCULLOUGH: Oh yes. If he owns a car.

Mr. ANDRAS: Mr. McCullough, an earlier witness, I think it was Mr. Davis, or one of the earlier witnesses, indicated an increase in the number of buses between Calgary and Edmonton, which I presume would all stop at Red Deer. Do you have any knowledge of this? How many buses are there now?

Mr. McCULLOUGH: I checked this morning with Grayhound. The bus service between Calgary and Edmonton is ten buses each way, daily.

Mr. ANDRAS: Each one would stop at Red Deer?

Mr. McCULLOUGH: I believe that the majority of them would stop at Red Deer. There are express buses and there are local buses.

Mr. ANDRAS: You are hoping that before long you will be getting this Penhold which is a former RCAF base I gather. Do you have any air service into Red Deer?

Mr. McCULLOUGH: No we do not have any. We understand that investigations are being made and we are hopeful that our runaways are long enough to accommodate DC-6s.

Mr. ANDRAS: Assuming that you do get the air service in through the Penhold base. What bus service would you have for local service for connections between Edmonton and Calgary. Would you not feel that you did have adequate alternate transportation to the railway passenger service to Red Deer and from Red Deer with 10 or more buses a day going through there?

Mr. McCULLOUGH: You are suggesting that the present service be curtailed. Some people prefer to ride on the train. They will not ride on the bus. A very small percentage of people have ever flown and I would certainly conceive that the passenger revenue has fallen off on the "Dayliner" service but this is because they are charging 50 per cent more than the Greyhound Lines.

● (12.40 p.m.)

They are not economic fares.

Mr. ANDRAS: No I was not suggesting curtailment at all; I was just trying to weigh it. The MacPherson Report, of course, indicates that first uneconomic services should be abandoned or curtailed, where there does not exist a public need and they describe that as adequate, alternate transportation. If there is not adequate, alternate transportation, they say we will continue the service even though it is not economic, but it then has to be a subsidy issue. I was just wondering if the evidence we have had today indicates a lot of alternate transportation at least between here and Edmonton with Red Deer tied in the middle. We have several flights a day by air, bus and an increasing number of highway buses, and it seems to me to be an examination of the big problem in small perspective. But you do not feel that even with this bus service and the possibility of air service coming up that you could do without a "Dayliner" or a passenger train service.

Mr. McCULLOUGH: Let me ask you a question, partially in answer. Would it be right to force these hundred and twenty thousand people in this trading area, force them to ride the bus if they prefer to ride the train, and they do not own automobiles.

Mr. ANDRAS: I would not be prepared to answer whether they should be forced to or not, but somebody might take the view that it is adequate, alternate transportation, when it came up eventually for a possible subsidy.

Mr. McCULLOUGH: I do not have to suggest I do not have access to the costing CPR and I do not want to get into any discussion of costing because it is very complex. In a year of study in the matter has convinced me that, how really complex it is. But, I would suggest that this day liner service between Calgary and Edmonton could be highly profitable, if the Company would apply some or put some sizzle into their selling procedures, start to merchandize their service, communicate with their potential customers, to make an effort to price themselves in the market, schedule, to accommodate the travelling public.

Mr. O'KEEFE: Could I ask a supplementary question at this point, Mr. Chairman?

The CHAIRMAN: There will be no supplementaries, Mr. O'Keefe; you will wait your turn please. Mr. Southam.

Mr. SOUTHAM: Thank you Mr. Chairman. Alderman McCullough made a reference in the starting of his brief about the artificially high passenger fare rates and I think he was referring to the day liner service between Edmonton and Calgary. Could you elaborate on that term, artificially high passenger fare rates. Does this mean that they are higher than the competitive fare services on other lines compared to this one or is it a matter of increasing rates say between 1960 and the present time, or what do you mean by that term?

Mr. McCULLOUGH: There is a definite raise in price of approximately 50 per cent. The fare from the rail fare, the bus fare at the present time from Red Deer to Edmonton is \$3.35, the rail fare is \$5.00, which puts it at 50 per cent higher than the passengers alternate opportunity.

Mr. SOUTHAM: Has this been a recent increase, or is it longer?

Mr. McCULLOUGH: Yes, this is an increase within the past year.

Mr. SOUTHAM: Would you assume that this is to discourage the use of the day liner service and force passengers onto an alternative service or is it just an economic increase, on account of the cost of providing the service?

Mr. McCULLOUGH: From observing the use of the train, and quite large numbers used to use the train, and the trains that roll through Red Deer now with three people aboard, seven people aboard, I would suggest that it cannot have been a normal business decision to raise this price by 50 per cent.

Mr. SOUTHAM: In other words, you would like to suggest then Mr. McCullough that the railroad authorities should reduce the fares, something like the Red, White and Blue that the CN is now practising in order to encourage passenger use of the rail service, by the means of stimulating and keeping the use of it.

Mr. McCULLOUGH: Yes.

The CHAIRMAN: Mr. O'Keefe.

Mr. O'KEEFE: My questions have been answered, Mr. Chairman.

The CHAIRMAN: No further questions?

Mr. BYRNE: You said that a more aggressive advertising campaign was a part of the CPR.

Mr. McCULLOUGH: I used the term "marchandizing", which may be broader.

Mr. BYRNE: Does the Greyhound have a marchandizing program that would indicate that this is the reason that they are taking the patronage away from the CPR. Do you not really believe that it is the cost factor that costs once and a half as much to travel by rail than by bus. Is this the real reason for the movement to the buses?

Mr. McCULLOUGH: Yes, I would suggest that that is the main reason.

Mr. BYRNE: The company have already said and we have to take their word for it, that they are losing a very substantial amount of money in operating these services, but just how do we reconcile these?

Mr. McCULLOUGH: I believe that in a previous hearing, I believe your hearing in Ottawa, when Mr. Sinclair of the CPR said that this matter was under study now between Calgary and Edmonton, and it seems to me that the Company has either got to try to go forward or go backwards.

Mr. BYRNE: How many operators do they have on the "Dayliner". How many people are involved in the operation of this coach?

Mr. McCULLOUGH: The control man, the engine man at the front, and then the conductor, and I have seen on occasion, one other person. Now whether he is just riding or whether he is a paid employee, I would not know.

Mr. BYRNE: How many seats, what is the capacity?

Mr. McCULLOUGH: Sixty-four, I believe.

Mr. BYRNE: What would be the capacity of the coach that we rode on yesterday? Something like thirty-five?

Mr. BELL: Thirty-seven on some buses.

Mr. BYRNE: Pardon?

Mr. BELL: Some buses have thirty-seven, but I was too busy to count.

Mr. BYRNE: There is one operator for some of these buses. This might be some relation to the cost of operations.

Mr. McCULLOUGH: Let us carry it a step further then, if we may Mr. Chairman. Would it not be worth considering if the CPR have this motor man perform a dual function, that the passengers enter into a day liner the same way as they do into a Greyhound bus? It seems to me, that this is a question of inflexibility, is key here, in trying to assess the whole passenger train question.

Mr. BYRNE: Do you suppose the 1880 agreement that set down these regulations, that we are hearing to now, that there must be two or three men on this type of train?

Mr. McCULLOUGH: I would think it would be entirely possible. Although I did not read the 1880 agreement.

The CHAIRMAN: Mr. Fawcett.

Mr. FAWCETT: I just wanted to answer that being a railroader. There is nothing in the 1880 agreement I can assure you, that stipulates how many men will be on a train. But do not forget, that when a train is traveling on a track, it has opposing traffic to look out for and traffic from the rear and the motor man, or the man that operates the motor, certainly could not perform all these functions. It is different on the highway, you do not have to be concerned about these things.

Mr. BALLARD: Mr. Chairman, just as a point of interest. I think that every once in a while somebody on the Committee, mentions the 1880 agreement, and another party of the Committee says 1881, and really, I think for the record, I think that what we should really say is that when we talk about the agreement, we should refer to it as the 1880 agreement and the act is 1881.

The CHAIRMAN: The act in respect to the CPR was assented to on February 15, 1881.

Mr. BALLARD: That is right, but it gives effect to an agreement dated October 23, I think it was, 1880, so that both of these terms can be used.

The CHAIRMAN: The Committee Members are referring to the same document, whenever they say 1880 or 1881.

Some hon. MEMBER: Does it make much difference?

The CHAIRMAN: No. I see no further questioners available, so that Alderman McCullough, I want to thank you for presenting this submission on behalf of the city of Red Deer, and again, I see that there is information there that will be helpful to this Committee. I appreciate your coming here. Thank you very much.

The CHAIRMAN: Gentlemen, I have had presented to me a two page short brief by Mr. A. L. Barron, Q.C., as an individual. I no longer see Mr. Barron, he is not in the hall, but in case he comes back this afternoon, I think perhaps we should take this two page brief and, if I can have a motion, have it printed as an appendix to our Minutes of Proceedings and Evidence at this time. Moved by Mr. McEwan, seconded by Mr. Caron. All in favour?

Motion agreed to.

I think we have time for the brief of the submission on behalf of Lodge 635, Brotherhood of Locomotive Firemen and Enginemen, and Lodge 663, Brotherhood of Railroad Trainmen. It is my intention to have the briefs presented by these gentlemen and the questioning will begin after the lunch adjournment. I now call on Mr. L. M. Erb, the legislative representative and any other gentlemen who are with him to present this joint brief. The witnesses before us, gentlemen, are Mr. L. M. Erb, the legislative representative of Lodge 635, Brotherhood of Locomotive Firemen and Enginemen, Calgary, and Mr. J. C. Sparrow, Chairman of the grievance committee of that Lodge. As I said, Mr. Erb, we will take your brief and commence questioning after the luncheon adjournment.

• (12.50 p.m.)

Mr. L. M. ERB (*Legislature Representative of Lodge 635, Brotherhood of Locomotive Firemen and Enginemen*): Mr. Chairman, Gentlemen. This brief is being presented on behalf of Lodge 635, Brotherhood of Locomotive Firemen and Enginemen, and Lodge 663, Brotherhood of Railroad Trainmen, having a combined membership of more than 600. It is motivated in part by the employment interests of our membership, but foremost as citizens recognizing the overriding public need for adequate and continued passenger service on the Canadian Pacific Railway. The Canadian Pacific Railway has had the reputation of providing the most complete transportation service in the world, and it has been a contributing factor in welding this great nation together, by the ribbon of steel overcoming natural features and more suited to north-south movement. Our founding fathers in conjunction with early railroad builders defied the obstacles of nature, hindering east-west transportation and laid the backbone of our great Canadian Nation. The same sentiments were expressed by the President of the Canadian Pacific Railway at the recent board meeting.

Press reports quote the President of the Canadian Pacific Railway when addressing the board of directors at its last meeting, as attributing reductions in passenger service to the heavy losses incurred in passenger train operations in recent years. However, this is not in line with, if our memory serves us correctly, reports of the president some ten years ago to the board of directors of the same company when he used words to the effect that the Canadian Pacific Railway could be out of passenger service by 1967. It is with tongue in cheek we might say the Canadian Pacific Railway is nearly on schedule. It is obvious the railways are confronted with many problems, if they are to maintain passenger service with modern, up-to-date trains. A major problem, being the vast capital expenditure required for new equipment to meet modern transportation needs.

Owing to the close profit and loss margin in passenger service it is apparent to us the Canadian Pacific Railway has chosen the more lucrative field some time ago to specialize in freight. It is with sadness that the Canadian Pacific employee has found himself in a position of watching the deterioration of passenger standards and the recent transport commission hearings on the "Dominion" appeared to us more as a formality than an inquiry. Is one train a day, the service now in effect sufficient for areas like southern Alberta? Is one train a day in which reservations are often not available, even a service? Let us cite the following example. An elderly Calgary woman receives word that her son has passed away in Ottawa and the funeral is being held over one day; she hopes that she may be able to attend. The Canadian Pacific Railway does not have sleeper space available for that day and uncertain for the next. This lady would not travel by air and did not want to travel by bus, or day coach. If there had been a second train on the Canadian Pacific Railway, and we do not mean the likes of the service provided by the "Dominion" in off season during the past few years, in all probability, she could have obtained a reservation in time to attend the funeral.

We believe two east-west passenger trains of first quality and preferably evenly spaced, are required to give reasonable service, to southern Alberta. The Canadian Pacific Railway passenger policy is being felt by more than just the transcontinental passengers. For many years, the Calgary-Edmonton service provided the company with good revenue as being one of the more popular means of travel between the two cities.

Competitive rates that had been in effect were increased and reductions on return fares were eliminated with results that within a very short time, day liners that had carried passengers to full capacity suffered a drastic loss in the number of passengers carried. News agents have been removed from the trains, so that patrons are now faced with a three and one half hour journey between Calgary and Edmonton without any means of obtaining refreshment not even a cup of coffee. Surely, this is discouraging for people who travelled on these passenger trains for years, and it can only lead to a further decline in patronage. The Canadian Pacific policy with regard to passenger tourists from eastern and central United States points for the Banff area is most unrealistic. In this regard, we feel the Honourable members of the Committee should take special interest as tourism is one of our great sources of revenue and where private enterprise fails to do its part in this field, our federal government

should be concerned. Banff as it is situated, is well suited for tourists using public transportation and even with Canadian Pacific trying to discourage them, records of the past few years, should reveal there a certain popularity of the rail tour holiday. More so, with older people who with the help of pensions, etc. are able to enjoy this kind of holiday. Let us not forget that rail travel offers convenience and comforts for older people not duplicated by other means of travel. We believe we are entering an era where senior citizens will become more and more demanding of public transportation and rail facilities should be maintained in anticipation of this, even if it means, government assistance where maintaining the required service does not provide a profitable return on investment at the present time. It has been suggested that all tours including Banff on their schedules be routed over the Canadian National Railways, and bus facilities be used between Jasper and Banff for connection. Several important questions must be answered if this is accepted. Will Banff become a second choice by agents arranging tours?

Is it realistic for the Canadian National to handle all of this passenger service? As employees of a major railway, we can see this arrangement would be most satisfactory for the management of Canadian Pacific Railways as its main competitor would be obliged to meet unrestricted Canadian Pacific Railway freight schedules, in fact we would be carrying practically all of the nations rail passenger traffic. May we suggest as citizens and taxpayers, it would not be many years before the Canadian National Railway would be at Parliament's doorstep for very drastic legislation to restore some semblance of competition or requiring subsidies in amounts yet unheard of. Again, with tongue in cheek, we might say that Canadian Pacific Railways contribution to Canada's Centennial Year could easily be an application to withdraw the Canadian. If so, why did Canadian Pacific spend many thousands of dollars renewing the electrical facilities for passenger coaches at Banff within the last few years. The cost of which was probably borne by passenger revenue.

One of the reasons we are here today, is that our members, like many other Canadians, are dissatisfied with the performance of the Board of Transport Commissioners and their apparent inability to recognize the feelings and needs of the Canadian public. Your Committee, we hope, will take a close look at the make-up of this board and possibly recommend revamping its structure so that it can more efficiently tackle the problem in transportation that exists today. It is not our purpose to dispute the cost figures presented by the company on passenger service. Nor, are we in a position to state that passenger service can or should be a paying proposition. However, it is our feeling that a transportation system so necessary to the development of our natural resources, industrial expansion in movement of our agricultural produce, should be covered by a national transportation policy of which passenger service must be an integral part if the future and security of our nation is to be maintained. It is in this light that we urge your committee to recognize what we feel is a real issue involved with Canadian Pacific's continued withdrawal from passenger service. We, like many others, believe that Canadian Pacific Railway Company has an obligation to the people of Canada as it was created and assisted by subsidy from the people and in our opinion has continued to flourish in rail services, generously supported by governmental assistance. We feel that the time has

now come for the government to establish a national transportation policy, which of necessity, must govern the railroad industry as a major component in the transportation field. Adequate transcontinental passenger train service should be regarded as a necessary service in the public and national interests and profit motives should not be permitted to deprive the people of Canada, whose numbers are increasing rapidly of this proven, safe and reliable form of transportation.

May we take the liberty to suggest the honourable members of this committee first endeavour to have a reasonable passenger service restored on the Canadian Pacific, and further, the honourable members should endeavour to have a national transportation policy implemented, part of which should include investigating and developing new approaches fitting rail service to the times. We sincerely thank the honourable members for the opportunity to express our views at this time. All of which is respectfully submitted.

The CHAIRMAN: Mr. Erb, on page 5 of your brief you refer to the inability of the board of Transport Commissioners to recognize the feelings and needs of the Canadian public and may I say, one of the main reasons for this Committee going across this country right now is to enable it to recognize these feelings and these needs. I do not know if you gentlemen want to come back to questioning after; I think we do have time for some questioning now, I think you are quite in a hurry to get to other places, are you not? I will see how far we can get. I will open questioning with Mr. Rock.

Mr. Rock: Mr. Erb, on page 2 of your brief you say,

"Due to the close profit and loss margin in passenger service, it is apparent to us, that Canadian Pacific has chosen the more lucrative field some time ago to specialize in freight".

What cooperation is your brotherhood prepared to make in respect of existing labour contracts regarding time and distance which would have a great effect on the close profit and loss margin, if in the future technical change should take place and train travel at twice the speed.

Mr. EBB: I think you must realize that I, as a local representative for these two local lodges, speaking on behalf of trainmen also, am not in any position to answer a question of that depth. I can only, perhaps, answer questions on what our experience has been on the railway of things that we have seen of what we understand, but I am certainly not in any position today to state what our negotiators would accept in the way of any contracts in regards to changes in the lights of that.

Mr. Rock: Do you not yourself take part in the negotiation. Have you not a personal point of view in this regard?

Mr. ERB: I have a personal view, yes.

Mr. OLSON: On a point of order here, if I may, I think that it is a little unfair to ask this witness what contractual arrangements he would be prepared to accept for some change, because after all, as he has pointed out, this has to be agreed to by not only his lodge but by their whole national union before we get to the point where this is applied to the contract between the company and the union.

The CHAIRMAN: I would agree with Mr. Olson. It would not be fair for Mr. Erb to announce that, because it is a matter of negotiations, and Mr. Erb has witnesses here today to make presentations on the effect of the passenger service of the CPR, not what negotiations they are prepared to enter into as far as wages or anything else are concerned.

● (1.05 p.m.)

Mr. ROCK: You may be quite right in that respect, however, as you probably know, I feel that there is competition by air which is a fast transportation system and I also feel that the trains can travel faster, with future technical changes and therefore, I feel that that the people representing the union, should prepare themselves for the future also. I feel that this is very important for the future and I think that they should prepare themselves for that, in other words. In fact, just one question was asked before about the day liner. They have two men aboard the day liner, the buses have one, I feel in this case, they should also declare themselves whether they think it is fair to have two men on a day liner when possibly one man could run it. These things are all important and I think that when the representatives from the union, they do not have a general meeting. They only have certain people on the committees making these briefs; they do not have a big general meeting and ask every member in the union to vote on it; therefore, they are representatives, like anyone else.

The CHAIRMAN: Mr. Rock, this has nothing to do with how the brief is presented. This is a matter of internal working amongst the unions themselves. In good faith, at our request, the Brotherhood of Locomotive Firemen and Enginemen and the Brotherhood of Railroad Trainmen have presented this brief for which we are very grateful. Mr. Erb has already stated that he is not prepared to answer that question because he has no authority to do so and I do not feel that at this time he should be forced to answer something he is not prepared to answer. I think he gave a very fair answer to your question.

Mr. ERB: Could I possibly make an answer to one section that the gentleman brought out as to why one man would not run a day liner service. Railroading is absolutely different from other types of public transportation in that you run down two rails, and in various places, you are required to switch yourself into a siding, you are required at times to send out a flagman for the protection of those passengers who are on that train at the same time, staying here to see that the passengers are looked after. These things come under more the Board of Transport Commissioners, and decisions are sometimes different from what we would be prepared to accept. The running of a bus is considerably a different thing from running a train and as far as the composition of the crews is concerned and discussing it with conductors, they are varied according to the size of the train and the number of cars that it involved, and whether they are involved with baggage it is not just a set fast thing that there are two men on a day liner. But it is required that there are two men on a day liner, when I can certainly not see an enginemen running a train, running down opening switches, getting himself inside, running back, closing the switch, getting in the clear; this is ridiculous. It is a different form of transportation.

Mr. ROCK: That is why we are here, to clear our minds on many of these important factors.

Mr. CARON: I have been looking at the brief presented by the Alberta Federation of Labour. A brief of the CPR stated that they had to submit to the increase of salary and this was one of the causes of some trouble. Were the increases in salary the same with the CNR and the CPR?

Mr. ERB: Approximately the same.

Mr. CARON: You have stated on page 2 of your brief that the Canadian Pacific Railway could be out of passenger service in 1967. Is it your opinion that the CPR is trying to get away from the passenger service and wants to keep only the freight?

Mr. SPARROW: I think that this remark was made as a result of the remark of the President of the Canadian Pacific Railway made at a meeting of the board of directors some years ago; he passed the remark at that time and we merely made reference to it in this brief.

Mr. CARON: This was made by the president of the CPR?

Mr. SPARROW: He said that it was a possibility.

Mr. CARON: Do you think that with Mr. Sinclair, the new president, there is a chance that they may change their policy, because it is a policy for the CPR?

Mr. ERB: I think that we are getting into a line of questioning here which makes it very difficult for employees to answer. We are putting ourselves in the position that all we can state is what we have observed in the past few years and what amazes me is the ability of the Canadian public to forget what has gone on for the past ten years, the past twelve years, the changes which have taken place in transportation in the postwar years; the policies which certain organizations set themselves up to follow which they felt were the policies that they should follow. Sometimes this makes me wonder just what we are all doing when things that are progressing have been planned for many many years.

Mr. CARON: I admit that you have a new position when you come over here as an employee, but you were exposing yourself when you came, because we were to put questions, too.

Mr. ERB: He also says that it is a right that if we stay home and do nothing we are pretty poor citizens.

Mr. CARON: You have the right to answer but I do not think we have the right to ask that question. You claim that from Calgary to Edmonton they have cut away, the news agents who were selling sandwiches and selling everything. There is no more of that on the dayliner between Calgary and Edmonton.

Mr. ERB: I understand from conductors that this is so.

Mr. MacEWAN: I just wanted to ask you, this question Mr. Erb. On page of your brief you refer to the Board of Transport Commissioners and you state line 4:

"Your Committee we hope will take a close look at the makeup of this Board and possibly recommend revamping its structure so that can more efficiently tackle the problems in transportation as they exist today".

I wonder if you could go into that in a little more detail. Tell us what you feel and what your Brotherhood feels should be done as far as this board is concerned. Before that I would refer to the joint brief of the Alberta Federation and Calgary Labour Council who suggested that there should be a new board made up of members of Parliament and a cross-section of the general public of Canada. Would you like to go into detail just a bit more and give your suggestions to this Committee.

Mr. ERB: What I would have to say on this problem, probably you have heard a great deal of it in the past three years from our national legislative representatives in representations to your Committee. My knowledge of it deals with the case of the New York Central closing a line which necessitated closing down the line that went into Ottawa and the representation and appeals we made to the Transport Commission to reimburse these employees under Sections 182 and 168, I believe, of the Railway Act, which, of course, progressed through three years to the point that it was denied. Then it was taken to court and progressed to the Supreme Court of Canada where it was again denied. We have spent since 1957 making representations to the parliamentary committees, etc. trying to get this legislation corrected and in the last analysis, when Bill No. C-120 came down, the recommendations we were seeking and the protection we were seeking were not included. The board as it is constituted can deal only with these matters in as far as the legislation allows. If a problem of this nature comes up, where there is a dispute over a section which is only a matter of construction, the original intent in as far as we are concerned was that people affected, as people on that section of the New York Central were, should have been taken care of under this legislation but they were not, because the two sections, 168 and 182, were not tied together. If these commissioners had been in the position, this could have been referred to some type of parliamentary committee where we could have sought redress and got the redress without having to spend five years trying to get changes in legislation, which changes have not come about, and we are going to spend another five years probably trying to get the same changes. In the meantime, our way of life is changing so fast that everybody has forgotten about the employees in the New York Central. We want something that we are protected under legislation, where we can get that protection.

Mr. MACEWAN: Do you agree with the brief of the Alberta Federation? What type of board or Committee, do you think should be set up to deal with these matters?

● (1.15 p.m.)

Mr. ERB: I was sort of impressed with the way Mr. Leslie wove his way around this. You know very well that if you appointed a board of parliamentarians and a few civilian experts that the political pressures, et cetera, that would be put on that board, as such, that time and so on, passes on and the first thing you know the board would be a useless elephant, and yet what can you do under a democratic system. We, as citizens, should be allowed to make these representations so that in some ways, even though I do not like to, I would have to agree with Alderman Leslie that this Board would be of no use whatsoever if it was composed of this legislation. Somewhere along the line we are going to have to adopt a system in which these various boards and committees are going to be able to function and do their job and take their responsibility.

Mr. SPARROW: I think the main thing as far as we are concerned is that the board should have more than regulatory powers; the board should be comprised of people who would not be appointed on a permanent basis but who would be answerable, either to an electorate or to someone, rather than be in the position the present board of Transport Commissioners enjoys.

Mr. MACEWAN: The board would be able to make policy, do you agree?

Mr. SPARROW: They should have some regulatory powers but you have many—not this present board as it is constituted.

Mr. MACEWAN: Have you any suggestions that would be helpful to us. You are asking us to look into what type of board then should be set up.

Mr. ERB: You almost give it the same thing that many of the citizens of Alberta are complaining against which is the orders in council, et cetera that the Alberta government comes through with in which they sometimes do things that many of the citizens do not like, but then there is no way of appealing against it. It is an order in council, or some board order and there is no appeal against it. Do you want this type of thing? These are questions that I think you gentlemen are in a lot better position to answer than we are.

Mr. MACEWAN: I thought we might be of some assistance in the make-up of a board. You asked us to look into it.

Mr. BELL (*Saint John-Albert*): I think there is some good advice in what has been put forward by the witness. You suggest in your brief, do you not, on page 4 that the CNR should be more concerned than they perhaps are as to the efforts of the CPR to shrug off their passenger responsibilities. In this way the CP could get exclusively into freight and become a very serious competitor of the CNR.

Mr. ERB: Of course, you know very well that the CNR is in a somewhat similar position as parliamentary committees. Everyone in Canada seems to think that management of the CNR is answerable to them and in various negotiations and things that have taken place with the CNR, their management has been put in a very embarrassing position, because of public pressure. Do you not think that they are not going to say anything about this at the present time. I should not be expounding on these things like this, I am going to get myself in hot water.

The CHAIRMAN: You are here to expound, Mr. Erb.

Mr. BELL (*Saint John-Albert*): The conclusion that we should take from this is that we, as members of Parliament should have a responsibility to see that the passenger obligations are divided between the two companies fairly so that this event that you are talking about does not take place. That is the event of the CNR coming to us eventually for extra subsidy or new legislation to take them out of the hole they might be in over freight competition.

Mr. ERB: This is true. I think also that the CNR are in the position that they are making every effort possible to see if passenger service can be made attractive enough so that it will be profitable. I do not think that their operations are any too much different than the Canadian Pacific, basically it is the same operation. It is the same problem.

Mr. BELL (*Saint John-Albert*): But they may defeat their own purpose.

Mr. ERB: They may defeat their own purpose but they also may prove that there is a type of service here that is necessary.

Mr. REID: I have several questions. On page 4, Mr. Erb, you make the point of the Canadian Pacific discharging its passenger service on to the CNR. There are some points that should be brought out more clearly. What is the prime purpose of the railway in transporting either people or goods? We have only certain rail possibilities and if you emphasize the transportation of people you are going to do this at the expense of goods, so at some point you are going to have to make a judgment, and this Committee is going to have to make a judgment, as to what is most important, the transportation of goods or of people.

The CHAIRMAN: That is too general.

Mr. ERB: I do not think that this is a proper perspective, in view of the fact that there are certain commodities that only rail can handle. As you have seen, has taken place in the last twenty years, the commodities that other forms of transportation could handle and could do it competitively the railways have found themselves in a very thickish position. They have had to revamp their whole approach toward removing of goods by rail. You can see this by the way they are now moving automobiles. It is unfortunate that there is not some way that the railways have use of facilities to try and experiment and find out these things before they go through a profit and loss cycle in which invariably there are many more people involved than just the railways. You cannot just say that you have people on one side and commodities on the other.

Mr. REID: This is the whole point and it brings me to your other point on page 6 where you speak of a national transportation policy. Is not the reason we are having this hearing and these discussions on the efficacy of passenger service the fact that the railroads no longer are the prime important carriers of all types of goods in Canada as they used to be and that they are being threatened by other methods, of moving goods. I think of pipe lines, aircraft, and that if we do have a national transportation policy, or a national transportation board which takes into consideration all the competing forms of transportation the railway, instead of being considered as a major instrument of Canadian policy, will be downgraded.

Mr. SPARROW: I would say that that is highly improbable.

Mr. REID: Why?

Mr. SPARROW: As you pointed out, certain commodities must move and where the railways undoubtedly will lose out is on short-haul work, they will lose out on small packaging. The transportation of such things as potash, wheat, coal, other large commodities is not going to go on your highway. At least, I would like to think that you would not start burdening your highways with that type of stuff.

Mr. REID: Why not a pipe line?

Mr. SPARROW: Pipe lines are a possibility. Of course, if we are going to look at this thing as projected twenty years from now, we might be considering that.

Mr. REID: Do you not think that what this Committee is trying to do is to look at the future to see what some of the potentialities are, to make judgments that are going to be valid for ten or fifteen years.

Mr. SPARROW: We are hoping that the Committee will look at the situation as it progresses through the period of time of twenty years.

Mr. REID: But when you have to make capital investment with hundreds of millions of dollars which is what is involved, the decision has to be made now. It is quite possible that this Committee could come out and order the CPR to recommend, at least, to Parliament that they institute the "Dominion" and force them to maintain the same service as the "Canadian" does. This is an investment of up to \$50 million.

Mr. ERB: I do not see that at all. I feel this way. During the summertime, especially the "Canadian" in the future is going to be operating with upwards of thirty, thirty-four or thirty-six coaches. There was one conductor at one time that had a thirty-four coach train going to Medicine Hat and he was in Medicine Hat before he even got through and checked up on all the tickets. Would not it be feasible that if instead of having thirty-four coaches on one schedule, with two diners, et cetera that you put twelve to fourteen coaches on each train. There would be a slight increase in the amount of power needed. Instead of using three units to pull thirty-four coaches you used two units to pull twelve and the two units I am quite sure would be able to stay on schedule much better than three units with thirty-four.

Mr. REID: Then you run into two problems of cost. First, the labour aspect and second, you have the whole packet of transportation going against you. I refer to this plane that Pan-American Air Lines has ordered that will seat 475 people.

Mr. ERB: You have taken me off the intent of my appearing here on behalf of our brotherhood in that we feel there is a certain type of transportation service going to be needed in the future. I have a father who cannot drive his car any more because he cannot hold his licence. He is unable to hold his licence. He lives in a community between here and Edmonton, which is only serviced by CPR day liner. The buses do not go into town. The main highway is four miles from town, the secondary highway is two miles from town. If you want to go to Didsbury by bus you get off at the service station and phone up somebody and hope that they can come out and get you. I was very surprised that some of these towns along the line have not been here and put in their briefs. I think it is just the fact that this thing is getting to be such that people are, if I may use the phrase, a little bit disgruntled and a little bit disappointed with how involved you can get in something like this, with politics and everything else that gets into it and how we ever got in the position that we are trying to form economic policies for the CPR here today, I do not know. We are only here saying that we feel that there is a necessity for a continuing passenger train service. I feel that in the next twenty years if our society is going to evolve into what it is supposed to, with the older generation being able to enjoy the holidays and the freedoms of our holiday resorts, et cetera with the highways as they are now, overcrowded, and older people hesitating before they will drive their cars.

Mr. REID: So do I.

Mr. ERB: They certainly are getting in the position they are not going to go on the bus, because if you have done any extensive travelling on Greyhound, it

took you over a period of 48 hours you will realize that this is a little hard on the kidneys, et cetera. Older people do not like this. Older people like the type of travel that can be made on trains and we are coming back into this. This is our point. We are coming back into this. There was for a period of time that this service petered away. I believe we are coming back into it and it is in this light that I would like you gentlemen to consider this.

The CHAIRMAN: Gentlemen, I think that this might be a good time to adjourn and continue again at—

Mr. REID: How many more questions are there?

The CHAIRMAN: I have Mr. Ballard, Mr. Olson and Mr. Rock. Let me get an indication of how many more people wish to ask questions.

Mr. BOULANGER: Why do we not finish now?

The CHAIRMAN: All right, Mr. Ballard.

Mr. BALLARD: Mr. Chairman, Mr. Bell asked the question I was going to ask, so I will pass.

Mr. OLSON: Mr. Erb, I want to ask you about the statement you made on page 2, and I quote

It is with sadness a Canadian Pacific employee has found himself in the position of watching the deterioration of passenger standards.

Has this had an adverse effect on the morale of employees within the CPR, train crews and so on?

Mr. ERB: I do not think that this is the only thing that has had an effect on the morale, but I will say this when I started on the railway some eighteen and a half years ago, you used to be quite proud when you were associating with your fellows off duty, meeting other people; you were quite proud of the fact that you worked for the Canadian Pacific Railway. Well, you do not do this now.

Mr. OLSON: Is it that this deterioration in pride or morale has had an effect on efficiency and operation of the company?

Mr. ERB: I am not in a position to say actually, that it does have some effect.

Mr. OLSON: Do you think that the part of making the CPR passenger service attractive would be having personnel who were proud of the standard of service that they had to offer?

Mr. ERB: Definitely.

Mr. OLSON: That does not exist at the moment?

Mr. SPARROW: It is not as pronounced as it was fifteen years ago.

Mr. ROCK: May I just rephrase my question so that it will be permissible. How much co-operation has been shown between your Brotherhood and the Railway Companies in labour contracts in respect to past technical changes, scheduled changes and faster rapid service which were inaugurated?

The CHAIRMAN: It is the same question.

Mr. ERB: May I answer this question?

Mr. ROCK: It is not the same question.

The CHAIRMAN: Order, Mr. Rock. Mr. Erb is answering your question, so please contain yourself.

Mr. ERB: I am going to say, I think that we have co-operated with the railway as much as the railway has co-operated with us within the confines of the law that we have to go through.

Mr. ROCK: In other words, there is no real answer.

The CHAIRMAN: You may not like the answer but the answer was given to your question, and that is not a fair reply to the answer that was given.

Mr. PASCOE: Mr. Chairman, on Saturday at our hearing there was reference to senior citizens wanting more travel on the trains. I would just like to follow up a statement made there about passes for retired workers on the CPR. Do you consider that as part of their right to have passenger service now, as part of their remuneration?

Mr. ERB: This has been a question that the organization has tried to develop in negotiating with the company in the past. The company at various times intimated that this pass right was worth a certain percentage of our wages, so therefore we should reduce the amount of our demands. I wonder what the company would say our pass rights are worth right now? I will tell you that in a recent bulletin that the company put out, if I was required to "dead head" on the company's services I would have to pay the fare, get a certain form filled out and then be reimbursed. If I required to go to Edmonton, I required to get a half fare certificate to ride the company's day liner to Edmonton. If I am able to obtain sleeper reservation, I can ride my pass on the strength of paying for the sleeper reservation. If I am not, I am required to get a half fare authority and pay half fare for riding on the day liner. This has certainly changed from what it was when I started with the company.

The CHAIRMAN: Any further questions?

Mr. HOWE (Wellington-Huron): On two occasions this morning there was a reference made to the fact that the news agents were taken off the day liners. Whose decision was that? Are not the news agents an independent company, agencies that would make that decision themselves?

Mr. SPARROW: I think they come under the administration of the railway company's sleeping, dining, parlor car service department. They are a part of the Canadian Pacific Railway.

Mr. CARON: Are they the one to make the decision on that? To take them off?

Mr. SPARROW: Yes.

The CHAIRMAN: Are there any further questions? Mr. Erb, Mr. Sparrow, I want to thank you for appearing. Although you said you are not here to make economic policy, in a sense really this Committee is very much involved in economics and the cost of the CPR and the "Dominion" and many other passenger services. Although you might think that some of the questions were not in your sphere, actually, I would suggest that the Committee is interested in

the whole sphere of transportation. I think that your brief was well presented and has given us certain information over and above information that has already been given to us by other unions. You need not fear the fact that you are here as employees of the company. We have had many, many employees of the CPR before us here and in Ottawa. I want to thank you again for your fine presentation.

Members of the Committee, we have completed our sitting earlier than we anticipated. Perhaps we should thank the witnesses who have appeared before us for presenting such concise and informative briefs, and for the manner of their presentation. I do want to bring to your attention that we owe a great deal of thanks to the Sheriff of the Supreme Court of Calgary, Mr. G. F. Butterwick, I want to express to him our appreciation for the very kind accommodation he made available to us in this fine court house.

Mr. OLSON: Are we not meeting this afternoon?

The CHAIRMAN: I am continuing, Mr. Olson, I also want to thank the City of Calgary for the very kind hospitality which was extended to us, and which is being extended to us today. Our thanks go especially to a member of this Committee, Mr. Ballard, for the work which he has done on our behalf in this city. We will not be sitting this afternoon. We will adjourn now to the Petroleum Club, through the arrangement of Mr. Ballard, and we will have lunch. The bus will meet us at the station at four o'clock, unless you would like to have it at three o'clock. The bus will be at the station at four o'clock. It is a three hour and forty-five minute ride.

Mr. BOULANGER: Why not have the buses earlier and we will leave at three thirty?

The CHAIRMAN: We are not sitting this afternoon, Mr. Caron. We have completed our hearing. Order, please!

Mr. Barron's brief has been incorporated in the record. I think that Mr. Barron was saying to me that he was not feeling very well. He came here not feeling well.

Mr. HOWE (*Wellington-Huron*): We have to go back to the train and wash our faces and get things ready to go to this place in Medicine Hat.

The CHAIRMAN: Arrangements have been made for the bus to be there at four. It will remain at four o'clock. We adjourn until 10.00 a.m. tomorrow morning in Medicine Hat.

APPENDIX "N"

May 5th, 1966.

Submission to
THE STANDING COMMITTEE ON TRANSPORT
AND COMMUNICATIONS,

HOUSE OF COMMONS,
Ottawa, Canada.

Dear Sirs:

Following notice received dated the 19th of April last I am submitting as follows;

The Original Agreement of 1880 provided amongst other terms:

- (a) CPR to "forever efficiently maintain and run the Canadian Pacific Railway", and
- (b) As consideration therefor the Dominion Government pay to the said Railway Company \$25,000,000.00 in cash and transfer to the said Railway Company 25,000,000 acres of land.

Some time later the said Company organized and operated several subsidiary companies, e.g. hotels, land companies, steamship companies, none of which subsidiary companies influenced or assisted the Railway Company in carrying out its agreement for "Efficiently maintaining" the railway facilities and services.

It is, however, recognized that these subsidiary companies have been operated at a tremendous profit.

The company, however, claims that the operation of the railway division has been operated at a loss and has sought to be partially relieved from such railway operation, and without justification having regard to the Agreement of 1880.

Suppose on the other hand that since 1880, 50,000,000 people have settled in the West, thus affording the Railway Company huge profits, would the Company have been prepared to refund to the Government part of such profits. The question answers itself.

The next question that arises is the application of the Company to the Board of Transport Commissioners to grant permission for the discontinuance of one of its two transcontinental passenger trains, that is the "Dominion".

The question naturally arises as to the jurisdiction of the said Board to entertain such application and to grant an order. A reference should be made to the Railway Act and particularly Sections 3 and 2 (28).

The Agreement of 1880 was confirmed by a Special Act of Parliament in 1881 clearly showing that the said Act did not give the Board jurisdiction to even consider any variation of the agreement.

Having regard to local conditions in the City of Calgary the Railway bisects the City dividing it North and South allowing very few through streets thus hampering traffic North and South. There is a subway at 1st Street East, none at Centre Street, one at 1st Street West, none at 2nd Street West, nor 3rd Street West, none at 5th Street West, nor 6th Street West, nor 7th Street West, nor 9th Street West, nor 10th Street West, nor 12th Street West, nor 13th Street West. In the result traffic has to be diverted from its natural highway to just a few crossings thus creating unnatural congestion on such few crossings as well as considerable inconvenience to such traffic.

This Company's right of way occupies the most valuable land in the City of Calgary, all for the convenience of one passenger train "The Canadian".

On the other hand it has been recognized that the Company plans on building an office building for Husky Oil Company and rebuild and enlarge its hotel (Palliser) which has nothing to do with "efficient" operation of the Railway.

The right of way through Calgary was granted to encourage "efficient" operation of the railway and not for other purposes.

It is not necessary for the Company to have its rails and depot in the centre of the City and such rails and depot could very easily be moved several blocks away from the present location for example the CNR does not have its rails and depot in the centre of the City (but 9 blocks South), and seems to be doing all right as compared with the CPR.

What a difference the removal of the depot and rails would make so far as the downtown district is concerned as well as taxes and the division of the City into two parts North and South.

All of which is respectfully submitted.

A. L. BARRON.

HOUSE OF COMMONS

First Session—Twenty-seventh Parliament

1966

STANDING COMMITTEE

ON

TRANSPORT AND COMMUNICATIONS

Chairman: Mr. JOSEPH MACALUSO

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 11

TUESDAY, MAY 10, 1966
Medicine Hat, Alta.

Respecting

The subject-matter of the adequacy of the present program and future plans for passenger service on the lines of the Canadian Pacific Railway.

WITNESSES:

From the City of Medicine Hat: Messrs. Allan Gunter, Industrial Commissioner; Del Pound, Chairman of Transportation Committee of Medicine Hat Chamber of Commerce; H. Wahl, President of local Florist Association; D. H. Medhurst, President of Medicine Hat Liberal Association; J. R. Driscoll, President of the Medicine Hat and District Labour Council.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1966

STANDING COMMITTEE
ON
TRANSPORT AND COMMUNICATIONS

Chairman: Mr. Joseph Macaluso

Vice-Chairman: Mr. H. Pit Lessard

and Messrs.

Andras,	Fawcett,
Ballard,	Horner (<i>Acadia</i>),
Bell (<i>Saint John-Albert</i>),	Howe (<i>Wellington-</i>
Boulanger,	<i>Huron</i>),
Byrne,	Hymmen,
Cantelon,	MacEwan,
Caron,	McWilliam,
Carter,	O'Keefe,

Olson,
Pascoe,
Reid,
Rock,
Saltsman,
Sherman,
Southam,
Thomas (<i>Maisonneuve-</i>
<i>Rosemont</i>)—(25).

(Quorum 13)

Maxime Guitard,
Clerk of the Committee.

MINUTES OF PROCEEDINGS

TUESDAY, May 10, 1966.

(20)

The Standing Committee on Transport and Communications met at 8:45 o'clock a.m. P.D.T., this day, at the Court House in the City of Medicine Hat, Alberta.

Members present: Messrs. Andras, Ballard, Bell (*Saint John-Albert*), Boulanger, Byrne, Cantelon, Caron, Carter, Fawcett, Howe (*Wellington-Huron*), Hymmen, Lessard, Macaluso, MacEwan, McWilliam, O'Keefe, Olson, Pascoe, Reid, Rock, Saltsman, Sherman, Southam and Thomas (*Maisonneuve-Rosemont*).—(24)

In attendance: From the City of Medicine Hat: Messrs. Allan Gunter, Industrial Commissioner; Del Pound, Chairman of Transportation Committee of Medicine Hat Chamber of Commerce; H. Wahl, President of Local Florist Association.

The Committee resumed its consideration of the subject matter of the adequacy of the present program and future plans for passenger service on the lines of the Canadian Pacific Railway.

The Chairman opened the meeting and invited Mr. Gunter to make his written representations on behalf of the City of Medicine Hat and the towns of Empress and of Brooks, before being questioned thereon.

Thereupon, on motion of Mr. Paul, seconded by Mr. Lessard,

Resolved unanimously:—That the brief presented on behalf of the City of Medicine Hat be printed as an appendix to this day's Minutes of Proceedings and Evidence. (*See Appendix "O"*).

The examination of the witness being completed, the Chairman, on behalf of the Committee, thanked Mr. Gunter who retired.

Then Mr. Del Pound was called in his turn to present a brief on behalf of Medicine Hat Chamber of Commerce and was questioned thereon.

Thereupon, on motion of Mr. Boulanger, seconded by Mr. Thomas,

Resolved unanimously:—That the brief presented on behalf of Medicine Hat Chamber of Commerce be printed as an appendix to this day's Minutes of Proceedings and Evidence. (*See Appendix "P"*).

Mr. H. Wahl was next to be called. He read his brief at length. However, his examination was postponed until this afternoon's sitting.

At 12:15 o'clock p.m. P.D.T. the Committee adjourned until 2:00 o'clock p.m. P.D.T.

AFTERNOON SITTING

(21)

The Standing Committee on Transport and Communications re-assembled at 1:55 o'clock p.m. P.D.T. The Chairman, Mr. Macaluso, presiding.

Members present: Messrs. Andras, Ballard, Bell (*Saint John-Albert*), Boulanger, Byrne, Cantelon, Caren, Carter, Fawcett, Howe (*Wellington-Huron*), Hymmen, Lessard, Macaluso, MacEwan, McWilliam, O'Keefe, Olson, Pascoe, Reid, Rock, Saltsman, Sherman, Southam and Thomas (*Manitoune-Rosemont*).—(24)

In attendance: Messrs. H. Wahl; D. H. Medhurst, President of Medicine Hat Liberal Association; J. R. Driscoll, President of the Medicine Hat and District Labour Council.

The Chairman opened the meeting.

On motion of Mr. Andras, seconded by Mr. Olson,

Resolved unanimously: --That the following briefs including two papers be printed as appendices to this day's Minutes of Proceedings and Evidence:

(a) Medicine Hat Downtown Kiwanis Club, May 10, 1966.

(See Appendix "Q").

(b) Medicine Hat Downtown Kiwanis Club, May 10, 1966.

(See Appendix "R").

Then the witness, Mr. Wahl, was questioned at length.

And the examination of the witness being completed, the Committee through its Chairman, thanked Mr. Wahl who retired.

Then, in his turn, Mr. Medhurst was called. He read a brief and was questioned thereon.

His examination being completed, he was thanked by the Chairman and he retired.

The next witness, Mr. Driscoll, was invited by the Chairman to read his brief and be questioned thereon.

The Committee having completed its examination of the witness, the Chairman thanked Mr. Driscoll who retired.

To close the meeting, the Chairman, talking on behalf of the Committee extended his expression of gratitude and thanks to Mr. A. R. Hay, Sheriff and Clerk, Supreme Court, who allowed the Committee to sit at the Court House.

The City of Medicine Hat also deserves our thanks, said the Chairman, for its hospitality and kindness.

At 3:30 o'clock p.m. P.D.T. Mr. Fawcett moved, seconded by Mr. Boulanger, that the Committee adjourn until 10:00 o'clock a.m. C.S.T., May 11, 1966 when the Committee will meet at the City Council Chamber, in Moose Jaw Saskatchewan.

Maxime Guitard,
Clerk of the Committee.

EVIDENCE

(Recorded by electronic apparatus)

Medicine Hat, Alberta,
TUESDAY, May 10, 1966.

● (10.00 a.m.)

The CHAIRMAN: Gentlemen, we have a quorum. The briefs this morning will be presented by the city of Medicine Hat. There will also be two short briefs presented on behalf of the town of Brooks, the town of Maple Creek, the Chamber of Commerce of Medicine Hat, and the town of Bow Island. Are any representatives here from the town of Bow Island? None yet.

The Labour Council of Medicine Hat was on our list, but we have been notified that they will not be presenting a brief before us today. There will be a brief from the Florists Association; the brief that is being distributed now is from the Medicine Hat Liberal Association. We will take the briefs in the following order: The City of Medicine Hat, the Chamber of Commerce, the Florist Association. If the people from Bow Island get here by that time, the town of Bow Island and the Medicine Hat Liberal Association. The brief on behalf of the city of Medicine Hat will be presented by Mr. Allan Gunter, Industrial Commissioner. I wonder if the gentleman from the Labour Congress would indicate whether a brief was being presented to us today. We had a notification that one was to be presented and then a notification today that one was not. Is there one being presented today? Fine, we will take it. Do you have copies of your brief here now for the clerk?

We will take the city of Medicine Hat, the Chamber of Commerce, the Florists Association, the Labour Council of Medicine Hat and the Medicine Hat Liberal Association and as soon as the people from the town of Bow Island arrive, we will then discuss this with them. Gentlemen, may I introduce to you Mr. Allan Gunter the industrial commissioner of the city of Medicine Hat who will present the brief on behalf of the city of Medicine Hat.

Mr. ALLAN GUNTER (*Industrial Commissioner, Medicine Hat*): Mr. Chairman, members of the standing committee, the city of Medicine Hat welcomes you here this morning and we thank you for taking a first hand look at our problem. We would like to make representations to you as follows: The city of Medicine Hat serves a trading area of approximately 16,000 square miles, the trading area we show on the front of our brief to you. The estimated population within the area is 65,000 people. The area includes the following towns on the north, Acadia Valley, Oyen, Empress in Alberta and Eaton, Alsask, Prelate in Saskatchewan. On the easterly strip of Saskatchewan there are the towns of Fox Valley, Piapot, Maple Creek, Govenlock, Eastend, Consul on the American border and in Alberta on the west from Brooks, Bow Island, Foremost to the American border. In 1960 in census division number one, that is Medicine Hat

and district in Alberta, there were listed 50 manufacturing industries employing 2,074 persons with wages and salaries totalling \$7,584,000, and the value of factory shipments exceeded \$41 million. In the same census division in 1950, there was a total population of 39,140, of which 7,380 lived on 2,165 farms. The total retail trade in census division number one was listed at \$33,417,000. The total estimated retail trade in the entire area, Saskatchewan and Alberta included, is \$45 million to \$50 million. In the 1965 survey of markets by the *Financial Post*, the following industries have been developed from CBS figures. I will not read off the definition for each one of them, but there is the personal disposable income, the retail sales, income rating. The one that we want to draw your attention to is the industry rating. The following table shows a comparison of these industries by provinces and by cities in Alberta and along the CPR mainline.

The CHAIRMAN: This brief contains a number of tables and appendices and Mr. Gunter is skipping over some of these matters in the brief. I think it would be wise if we had a motion to have the brief listed as part of the minutes. It is moved by Mr. Reid, seconded by Mr. O'Keefe that the brief from the city of Medicine Hat be listed as an appendix to the minutes of the proceedings.

Motion agreed to.

Mr. GUNTER: I will not read the details and statistics in here. What we want to draw your attention to is Medicine Hat industry rating.

It is apparent from these statistics that we are far above other cities in our industrial rating and are therefore very dependent on transportation in all forms, not only to move raw material to our plants and the finished products to our markets, but also to move business people to and from our city.

Mr. CANTELON: Mr. Chairman, is it understood that the figures that are given in the brief here are to be included in the minutes at their proper place?

The CHAIRMAN: We just had a motion that it would be printed as a whole, Mr. Cantelon.

Mr. GUNTER: The area included in Alberta and Saskatchewan serves dry land farming and ranching, together with a very concentrated irrigation section from Medicine Hat, west and northwest, including the areas around Sever, Persons, Bow Island, Burdett, Hays, Vauxhall, and the EID area around Brooks and Tilley. In Medicine Hat itself there is a very high rate of industrial development, with a broad base including the manufacture of brick and tile, sewer pipe, glass, fertilizer complex, tire manufacturing, foundry, flour milling, greenhouse products, potteries, linseed oil and pickle manufacturing, together with the service industries. Medicine Hat has comparably low taxes, municipally owned utilities featuring low cost gas, excellent water supplies and excellent labour; all ingredients required for good industrial expansion. To quote from the *Canada Year Book*, 1964:

"To such a country with a population so dispersed and producing for export as well as for consumption in distant parts of the country, itself efficient and economical transportation facilities are a necessity to existence."

We have obtained from the Dominion Bureau of Statistics figures showing passenger traffic operating expenses, and we submit these bear no resemblance to the figures submitted by the Canadian Pacific Railway in support of

its application for discontinuance of the "Dominion". Referring to addendum one, page 1 of the Canada Year Book, 1965, page 764, over the period 1954 to '63, operating revenues exceeded operating expenses in each year. Items 2 shown on addendum 1, page 2, states that the total operating expenses in '63 amounted to \$1.14 billion, and these connected with transporting persons and properties such as stations, yards, terminal services etc., accounted for 37.2 percent; equipment and maintenance accounted for 22.6 percent; road maintenance 21.1 percent; rents and taxes, 5.9 percent; ticket sales and advertising, 2.7 percent, and miscellaneous expenses including dining cars, 10.5 percent. It goes on to state that these proportions have remained fairly constant in recent years.

We ask the question why should the "Dominion" vary from these. I think the CPR's figures showed, in their presentation at the hearing on the "Dominion", that there were variables amounting to 33 percent. These are the ones that we cannot see in the figures shown here. B. addendum 2, pages one to six DBS catalogue number 5202, operating statistics Canadian Pacific Railway in the years 1923 to '64—first on page one, in the last five years the number of passengers carried has been relatively the same and the passenger revenue, in spite of the decrease in fares in this period, has been relatively the same. Two, the rail revenues have exceeded rail expenses consistently throughout the period 1923 to '64. On page three, the average per passenger train miles showed a steady increase in revenue passenger miles and also from passenger train revenue. Of course, again the ratio of rail expense to revenue in 1964 was 91.90.

In addendum three pages one to two railway operating statistics, page 4 DBS catalogue no. 52-206, 1954, page one, the passenger traffic in 1964 showed an increase on the 22 railways reported over 1963 as did the Canadian Pacific Railway. The Canadian Pacific Railway showed a superior ratio of operating expenses to revenues and the other 22 railways over the 1963 figures and this was 91.46. Page two, in March 1965, the revenue passengers on the Canadian Pacific Railway were down 70,000 and the Canadian National were up slightly amounting to approximately 100,000. Addendum B. I mentioned that these were the figures covering the Canadian National Railways and I would like to draw your attention to one item on addendum five, page three. We have two arrows showing the passenger traffic carried in the years 1959 to '63 and you will notice that these are the same relatively all the way through that period, and yet on the passenger revenue items, the arrow two thirds of the way down the sheet, you will see that the receipts dropped off and we suggest to you that in this time the passenger rates were decreased too.

The city of Medicine Hat would like to draw to the attention of the committee the following: In 1961, the city appeared before the Air Transport Board to request continuation of the trans-Canada milk run air service, that was from Winnipeg to Calgary via Yorkton, Regina, Swift Current, Medicine Hat, Lethbridge and Calgary. The air rate at that time was \$16, one way, Medicine Hat to Calgary. At the time of these hearings, the railway rate charged by the Canadian Pacific Railway was dropped to \$4.05 one way from Medicine Hat to Calgary. It has been \$6.10. We assumed this was with the board's approval. Needless to say, economic justification on these comparative

rates ended air service. Now the rate has been raised to \$8.80 one way to Calgary. The city questions how these rates can be tossed around like this.

The city would like to submit to the Committee that transportation in Canada is a utility the same as electricity, gas or water, and on main lines only reasonable improved service must be expected and just rates necessary to maintain such services should be charged. From newspaper reports, it would appear that the Canadian National Railways are expanding and improving passenger handling services, while the Canadian Pacific Railways for the last few years have been endeavouring to reduce and curtail services to passenger traffic. What is reasonable service then is not a question of fact, but of opinion and the board we feel is the proper authority to make this decision. We are not seeking or advocating subsidies. We believe Canadians are prepared to pay for the service they receive. We are simply asking for reasonable railway service which is necessary to provide Medicine Hat with the opportunity to grow with Canada. The greenhouse industry in Medicine Hat area grosses approximately \$2 million per year. A large part of which is spent in Medicine Hat area for supplies as well as labour. There are some 16 to 20 independent greenhouse operators involved in the above mentioned total production figures which includes flowers and vegetables. These goods are marketed from Fort William at the lakehead to Vancouver, and from the American border north to Grand Prairie. This is one of three major flower and indoor vegetable producing areas in Canada. It is estimated that we supply only 20 percent of the Canadian market in our particular field, the remainder being imported from the United States. With the amount of sunshine and the abundant supply of natural gas which we have in this area, there is absolutely no reason to deny that the day will come when we will be able to supply the entire Canadian market thus eliminating the need for importing. The elimination of "The Dominion" has removed the only other means of shipping our perishable produce out of the Medicine Hat area during the four or five months of intense winter cold weather. The Air Transport Board in their wisdom chose to eliminate our air service several years ago and they literally gave the Americans one third of the minority portion of the Canadian market which we had. Neither the Canadian Pacific Express merchandise service nor any other commercial trucking firms which serve Medicine Hat have facilities to handle the volume of perishable merchandise which we export. Although we have been told by the Canadian Pacific Railway that they will carry our produce on their merchandising service truckline, we know from experiences of the past winter and the admissions of their own staff that they do not have the trailer facilities to handle perishable merchandise, although they can and are at the present time quite successfully handling our flowers with their antiquated equipment, the problem is that they cannot keep perishable merchandise from freezing during the winter weather. The "Dominion" train, and to a very limited extent, the "Canadian", on which the railroad is very reluctant to transport flowers, were the only facilities which were available for moving our produce to market and without this transportation our industry will perish just as surely as flowers perish when it freezes. The Canadian Pacific in its brief stated that the specific problem before this committee is that for passenger transportation and they outline the various elements of the passenger demands as convenience, comfort, speed and cost to the passenger. We suggest that there should be

another element and that is dependability. When all other forms of passenger service are grounded or when highways are blocked, the railway service can be depended upon. Many people, including elderly people and those to whom time is not critical, enjoy railway travel. We would like to point out that this dependability has been badly eroded in the last few years.

In Medicine Hat from the 1st of December, 1965 until the end of March, the sole remaining railway passenger service on the mainline of the world's most complete transportation system was late at least 50 percent of the time. In the old steam locomotive days you could set your watch by the train. It is hard to believe that in this age of technological improvement that the trains cannot be kept on time. For this reason and to make connections with other transportation facilities, it has been necessary for the travelling public to seek other means of transportation. Many people are complaining about not being able to obtain reservations on short notice. Even on adequate notice there is considerable delay. When passengers do get on the train, they find many empty seats. This is very poor public relations, and after watching the immediate reservations replies that Air Canada give, one cannot help but question whether the Canadian Pacific really wishes to be in the passenger business. We made a submission to the Board of Transport Commissioners stating that if the "Dominion" was discontinued, then the "Canadian" must be improved to provide reliable first class passenger service, together with express facilities, and that an inter city Winnipeg to Calgary dayliner service be provided on a trial basis.

The city of Medicine Hat along with other cities across the prairies ask that consideration be given to a national transportation policy whereby all forms of transportation would be reviewed. In this tremendously era of change, our economic growth can only be assured with a flexible transportation policy. At a meeting of the American Industrial Development Council in Seattle, Washington in April, Mr. Welby M. Frantz, President of Eastern Express Inc., and past president of the American Trucking Association, indicated that in the United States the transportation dollar is divided so that 71 percent goes to trucking, 16 percent to railway, 5 percent to water, 2 percent to pipeline and one percent to air, and that the trend over the next ten years will be for trucking to increase to 76 percent and the others to be cut back. At the same meeting Blaine Cook, Vice President of Marketing for United Air Lines in Chicago indicated on behalf of the aviation industry that 85 percent of all passengers moved by the automobile but the trend over the next ten years is going to be such that the 12 main airports in the U.S. will not be able to handle the passenger traffic. He indicated that for example in Chicago, they are handling 40 to 50 thousand persons per day now and that by 1975 this is estimated to be 150 thousand. In view of these predictions the city suggests that all forms of transportation, whether it be highways, truck traffic, bus traffic, railway or air, must be kept in a flexible state of improvement across the country. The "Canadian", as we know it is the only transcontinental train left on the CPR and therefore it is very important to Canada as a whole that this prime railway service be promoted and upgraded. In conclusion the city of Medicine Hat would like to make three recommendations:

First, that the remaining railway passenger service known as the "Canadian" should be improved in its operations by (a) an improved reservation system similar to the Air-Canada system, (b) That the train schedule be maintained to ensure dependable service, (c) that provisions be made to handle express on the "Canadian" when trucking facilities cannot meet winter conditions and a positive effort be made to promote railway passenger traffic.

Second, that there be a new transportation authority to co-ordinate all forms of transportation to ensure that all communities have equal opportunities to grow.

Third, that there be an independent research body of transportation economists to study the statistics cost and other matters as they relate to transportation facilities and their effects on regional growth in Canada.

The CHAIRMAN: Before the questions start I should like to make one point. On page six of the brief, item 11, you say that the Canadian Pacific in its brief stated that the specific problem reported was passenger transportation. The only correction I would like to make, Mr. Gunter, is that we are restricted to passenger transportation by the terms of reference that the House of Commons set for the Committee and not that the Canadian Pacific restricted passenger service. Hon. members would like to get into freight questioning, but that has been ruled out of order because of the terms of reference.

Mr. REID: Mr. Chairman, first of all, we should congratulate the city of Medicine Hat on this very excellent brief. I think of all the briefs we have received that this is one of the best. Now may I ask you a few general questions. First of all what you are really concerned about in this brief is that the "Canadian" be on time, second, that you have some provision made for fast freight, and third, that any attempt to regulate passenger fare not interfere with the type of air transportation that you are attempting to build up. Would that be correct? The other question I want to ask is on page 7 item no. 12 concerning your submission to the Board of Transport Commissioners and suggesting that you would like an inter-city Calgary day liner service to be provided on a trial basis. Now, my question is this: assume that this service was not a profitable one; would the city of Medicine Hat, along with other cities being served by this proposed service, be willing to accept some of the responsibility for the deficit and, if not, who should pick up this deficit?

● (10.30 a.m.)

Mr. GUNTER: I cannot answer that the city would be prepared to do this since I am a servant of the city. On the other hand, we ask that this be tried on a trial basis to see whether it would be a profitable business or whether it would not be. We thought there was a good demand for it particularly expressed in local passenger traffic between major cities like Calgary, Regina and Winnipeg. If there is a demand for this kind of service we suggest that this be tried on a trial basis to see whether it would be profitable.

Mr. REID: That is fine, thank you.

Mr. HOWE (Wellington-Huron): If you made a submission to the Board of Transport Commissioners stating that the "Dominion" was scheduled, then the "Canadian" must be improved on the request of the Government.

Mr. GUNTER: I believe that the Canadian Pacific indicated the cost of operating the dayliner and it would be a very heavy loss and the board indicated these in their reply in the ruling that was handed down.

Mr. HOWE (Wellington-Huron): They did not ask to appear before the Board?

Mr. GUNTER: No, they did not.

Mr. CARON: What is the reason why that people are not traveling so much by train? They tell me that sometimes there were only three persons one day, and another day only seven, so there was nobody travelling by train. What is the main reason for that?

Mr. GUNTER: I think that a lot of them are travelling by car.

Mr. CARON: Have the rates something to do with it?

Mr. GUNTER: I would say it has something to do with it, but I think it is the convenience of an automobile.

Mr. CARON: Are the rates of the CPR and the CNR about the same?

Mr. GUNTER: I could not tell you about the Canadian National we are here in CPR country and we do not know it.

Mr. CARON: You do not know and you cannot compare?

Mr. GUNTER: No.

Mr. CARON: Thank you.

Mr. O'KEEFE: In addition to the problems mentioned by Mr. Reid a moment ago, I suggest in connection with the flower industry, there is yet another problem and that is the problem that the railway cannot keep perishable merchandise from freezing during the severe weather. How long would you suggest the severe weather is and how do you suggest this be managed?

Mr. GUNTER: Last winter, we had very cold weather for December, January. I think that the florists are going to be presenting a brief and they would be more able to answer this, but I would say that we had problems of freezing and handling from the delivery point at the station to the loading and unloading, this type of thing.

Mr. OLSON: Mr. Gunter your brief contains I think one of the only briefs that we have had to date that attempted to look at the costs insofar as the CPR submission respecting "The Dominion" is concerned. I would like to ask you firstly, if the figures we have here are figures that are from the Dominion Bureau of Statistics and other Government boards or agency that gather these statistics.

Mr. GUNTER: Yes, that is correct.

Mr. OLSON: In these comparisons when you look at them—and I am not going to go into it in detail—do you think that the so-called variable costs and so on that have been charged up to the one train the "Dominion" are fair in relation to the costs of the company's whole operation.

Mr. GUNTER: Mr. Olson, we are not experts in this field and we do not have the resources to dig into them but our only source of information was the

Dominion Bureau of Statistics and using this we could not see how these variables got into the picture with the CPR when they were not shown in these figures from DBS.

Mr. OLSON: You made some comparisons as to the total cost picture insofar as certain areas of costs for transportation are concerned. As far as you are concerned they do not correspond with the CPR advanced as variable costs. Would you like to give any suggestions to the Committee as to what we could do about this. I notice that you have suggested that the Board of Transport Commissioners for a board of transportation authority ought to have—I think we called it an independent research body of transportation economists. Would this be for analysing railway costs?

Mr. GUNTER: That is right, railway costs and all other forms of transportation, revealing the costs and coming up with the studies that would put the proper picture on the social and economic impact on communities such as ours in Canada where if we lose these services they mean a great deal, say to our florist operation and we need these reviewed by an independent body so that we can accept their figures.

Mr. OLSON: Do you believe that the service that is being supplied by Canadian Pacific at the present time is justified, that there is a public need for this service on the basis of a \$26 million deficit?

Mr. GUNTER: Yes I think you need this service.

Mr. OLSON: On page 6, when you were talking about the CPR you said that they can and are at the present time quite successfully handling all flowers with antiquated equipment. I was wondering what you meant by that term antiquated equipment?

Mr. GUNTER: The equipment could not handle flowers in freezing weather. They were not capable of handling them.

Mr. OLSON: Was this rail equipment or trucking equipment?

Mr. GUNTER: They dispatch these by truck and they would not handle them on the "Canadian".

Mr. OLSON: During the very cold weather they would not take them on the "Canadian"? Will you give any assurance that it bothered CPR that they were going to handle these flowers on a year round basis when they took the "Dominion" off?

Mr. GUNTER: Mr. Olson, the florist is going to present a brief and they would be better qualified to answer this than I would.

Mr. OLSON: On page 7, you say that the "Canadian" is late at least 50 per cent of the time. What do you mean by 50 per cent; is it of the day they are not running on schedule?

Mr. GUNTER: Yes.

Mr. OLSON: How much are they late?

Mr. GUNTER: Two, three or four hours and more.

Mr. OLSON: Well, is it common for them to be three or four hours late or is that an unusual thing?

Mr. GUNTER: Between December and the first of March they were late most of the time. We said 50 percent as a lower figure.

Mr. OLSON: Do you know why they are late?

Mr. GUNTER: No I am afraid that I have been unable to find out. We believe that the diesel equipment cannot handle the facilities in the cold weather. They freeze up—this is one of the stories that we have heard. I am not an authority on it.

Mr. OLSON: That is all for now, Mr. Chairman.

Mr. CARTER: I am interested in paragraph eight, page five. I am not quite sure that I understand the significance of the statement about the dropping rates. If I understand the picture properly, the Trans-Canada or Air Canada was already trying to get out of this milk run, and while this hearing was going on CP dropped their rates down to \$4?

Mr. GUNTER: Four dollars and five cents.

Mr. CARTER: Was there a similar drop between other stations, other calls on the line or does this only apply to Medicine Hat?

Mr. GUNTER: This was in Medicine Hat, Mr. Carter.

Mr. CARTER: Did that have any significant bearing on the hearings?

Mr. GUNTER: I should explain this to you. The Air Canada flight left about the same time as the "Canadian" into Calgary and they were competing at practically the same hours and you could go to Calgary on the "Canadian" and at that time it was excellent service, fast, on time and you could depend on it and the rate was reduced to \$4.05. To fly the same time was \$16 and you would have a hard time to compete against that.

Mr. CARTER: And you imply there that that dropping rate was done deliberately to knock out the air service on that particular run.

Mr. GUNTER: It was surprising that it took place at that particular time.

Mr. CARTER: At that particular time, and when it was out they put it back again?

Mr. GUNTER: No, it is just been recently that the rate has been raised now to \$8.80.

Mr. CARTER: It stayed at \$4.05 until quite recently?

Mr. GUNTER: A year ago or thereabouts.

Mr. FAWCETT: Mr. Chairman, there is only one question I have left now and it is in respect of the conclusions on page eight. There is something rather unique about this inasmuch as the city of Medicine Hat does not make any recommendations regarding reinstituting the "Dominion". Am I to understand, Mr. Gunter, you feel that if the "Canadian" operates on time and is able to provide the facilities for handling flowers, and so forth, out of here, there is

no necessity for reinstituting the "Dominion". You think that this traffic can all be handled on the "Canadian". Is this what I am to gather from your statement?

Mr. GUNTER: In the wintertime, yes. In the summertime there could be a need for the "Dominion" train or extra sections on the "Canadian" to handle the passenger traffic at that time of the year.

Mr. FAWCETT: The objections to extra sections at other places was that it would be much better if the train operated at twelve hour intervals and this would give better all round service. But this is the point I wanted to be clear on. You feel that during the peak season in the summer there is a traffic for another train of some description?

Mr. PASCOE: Mr. Chairman, I would like to ask Mr. Gunter a couple of questions relating to paragraph 12 on page 7. He refers to a submission to the Board of Transport Commissioners regarding the suggestion of an inter-city day liner service between Winnipeg and Calgary. Now, this takes in a fair number of fairly large urban centres. Have you been in conference with the other centres in regard to this and what was their attitude towards it?

Mr. GUNTER: They were interested in it.

Mr. PASCOE: This matter was brought up, you will recall, at our hearing in Ottawa and Mr. Sinclair who is now the president of CPR suggested that they might try it if the urban centres would assume part of the operating costs. I know you have said you could not answer for that, but do you think it would be a fair suggestion that the urban centres assume part of this cost?

Mr. GUNTER: No, I do not think so.

Mr. PASCOE: Would the idea be to use this day liner as a sort of feeder liner for the "Canadian", stopping at all points to pick up people that perhaps could be served at one central point by the "Canadian"?

Mr. GUNTER: This would help the smaller centres to keep traffic and express coming and going but the "Canadian" then would be able to maintain its fast schedule across the country.

Mr. PASCOE: This one that is stopping at most of the smaller points to pick up any people that required. You say on a trial basis rather than on the proposition of use or lose; would that be the idea, that it was there and if they did not use it it would be gone?

Mr. GUNTER: That is right.

Mr. PASCOE: On this one authority that you talk about, would it have supervision over all means of transportation?

Mr. GUNTER: A co-ordinating body to deal with all transportation problems.

Mr. PASCOE: They could probably work in with this day liner with the "Canadian"?

Mr. GUNTER: Yes.

Mr. PASCOE: Just one more point. You refer on page 8 to the improved service of the "Canadian", if the service on the "Canadian" was improved, would you still want that day liner service?

Mr. GUNTER: If the "Canadian" were giving good service I do not think that there could be too much complaint but we have to try this out. The day liner is a suggestion to see whether there was a need for this and it was a trial and error proposition.

Mr. PASCOE: Well, along with this would there be a sort of an advertising program to the people to tell them to use the new route?

Mr. GUNTER: I believe so.

Mr. BYRNE: On page 5, paragraph 8, I believe you are suggesting that the CPR more or less deliberately lowered the fares between Medicine Hat and Calgary in order to compete with or to eliminate the Air-Canada service. That is the inference that I gather?

Mr. GUNTER: Yes, so I gather.

Mr. BYRNE: Most of the evidence we have heard up until today has been that the CPR has endeavoured to get out of the passenger service. They have downgraded their service and increased rates so this would be somewhat of a contradiction. Do you believe that it would be economical for Air-Canada to reinstitute the service, that is, the so-called milk run service. I believe that was from Winnipeg, Regina, Medicine Hat and Calgary?

● (10.45 a.m.)

Mr. GUNTER: Mr. Byrnes, I do not know whether you are familiar with the fact that we have Mel-Air service now, and they are operating this, with no subsidy, with a small aircraft, five passengers plus the pilot and they are building up traffic. We think that there is a need for air traffic here, too, for better connection services to main centres. One of the problems that we have here is that executives in Toronto and the larger cities like to be able to fly from Toronto into say Calgary; they can go in and look at their plants, look over problems and be back in Toronto that night. We cannot do that from here. I think that there is a need for air service into small cities like ours; I think there is a definite need and the justification is being proven right now with this small air service doing it with no subsidy and building up traffic.

Mr. BYRNE: Have you any information what the rate is between Medicine Hat and Calgary?

Mr. GUNTER: It is under \$16.

Mr. BYRNE: That is the same rate that Air-Canada was charging? Apparently Air-Canada was charging about 10½ cents per mile, whereas Trans-Canada service, at the present time is about five cents per mile. It is possible, is it not, that the cost of air transport has reduced sufficiently that it may, in instituting that service, cut that rate somewhat if it were down to say seven cents a mile?

Mr. GUNTER: I would like to see it.

Mr. BYRNE: You would like to see reinstitution of the milk run service?

Mr. GUNTER: Not necessarily the milk run. I am not exactly certain that this is right, but a feeder service into a main centre, and the rate should be such that you can fly from Calgary to Toronto as cheaply, at least fly from Medicine Hat to Toronto, as cheaply as you can fly from Calgary to Toronto.

Mr. BYRNE: It has been argued before this Committee that in any transportation service we should take the good with the bad. I think it is reasonable then to suggest that if Air-Canada or Canadian Pacific Airlines are taking the cream from Trans-Canada operation that it would not be improper for them to operate at cost or even slightly less than cost for the feeder operations. That is all, Mr. Chairman.

Mr. BELL (*Saint John-Albert*): May I just ask, with reference to the end of five page three you came to some conclusions about the figures that the passengers carried and the passenger receipts. I wonder if you would mind stating your conclusion again and also tell me if those are the Canadian Pacific figures?

Mr. GUNTER: These are total railway figures in Canada from DBS.

Mr. BELL (*Saint John-Albert*): I wonder if the Committee can help me in that. I am wondering if the drop in revenue of nearly \$15 million in 1959 and 1960 and, the consistency of the number of passengers carried brought about the institution of this fare saver by the CPR and this proves their contention that although they reduced fares, the same number of passengers was carried, but there was this \$10 million to \$15 million loss in revenue. Do you suppose that is a reasonable conclusion there? I think we should look into it anyway, Mr. Chairman.

The CHAIRMAN: Any further questions Mr. Bell?

Mr. BELL (*Saint John-Albert*): No thank you Mr. Chairman.

Mr. ROCK: These are the conclusions and recommendations made: that train schedules be maintained to ensure dependable service. Mr. Olson asked a question but he did not pursue it any further. He asked you whether you knew the reasons why the train was late. Are you not aware that the train was late last night because of some avalanches in the Rockies. I was wondering whether the municipality of Medicine Hat does not receive this type of news when the train is late. What I would like to know is whether the train is late constantly coming in from the east to the west or just from the west to the east. Would you know that?

Mr. GUNTER: I am guessing a little but it would seem to me that it is late a greater portion of the time coming from the east than it is from the west.

Mr. ROCK: That is amazing. The point is that the witness is stating that it is more likely from the east to the west. It surprises me. Thank you.

Mr. GUNTER: In the other question you asked why, you do not know and we do not know either. We cannot find out when the train is going to be here until it arrives.

Mr. OLSON: I would like to ask Mr. Gunter if the city has made a recommendation that there be an independent research body, or that there be first of all a transportation authority and then co-ordinate all forms of transportation. I would like to ask whether this is to replace the present Board of Transport Commissioners or will it be in addition to them?

Mr. GUNTER: I think it will have to be in addition to and be of a co-ordinating body to work with all the different authorities.

Mr. OLSON: Would this be a regulatory body or a policy forming body?

Mr. GUNTER: I would think more in the nature of a policy-forming body.

Mr. OLSON: Thank you Mr. Gunter.

Mr. CANTELON: I think you probably know Mr. Gunter that the very serious argument facing this Committee is the one put forward by the CPR that the service is uneconomic. They refer to the effective demand and say that they cannot operate this service economically. We have so far been unable to get figures to refute the CPR figures and it is questionable whether we will be able to unless we hire some people who can get figures which would be quite difficult. I doubt this. Now, we have had suggestions, particularly from the National Farmers Union, that whether the service is economical or not it is in the national interest to continue it. They would go so far as to suggest that the Canadian Pacific Railway should be nationalized immediately and its railroad and communications integrated with those of the Canadian National Railway. Your recommendations are certainly not as severe as those. I wonder however, what your attitude would be towards that type of recommendation. I am interested in this, because part of the area which you are serving is in my constituency and I am wondering just what the people in this area would feel about nationalizing the CPR.

Mr. GUNTER: I am not really prepared to answer that, sir, but I think that there is room for improvement in the "Canadian" as it is now and I would like to see this done before any thought is given to nationalization.

Mr. CANTELON: You can see however, that the railway says we are going to continue to operate this train for some years. This is what they tell us, but they say we cannot operate the "Dominion", because we are losing so much money on it. They are a business organization; surely you would not suggest that they continue to operate an uneconomic service?

Mr. GUNTER: Maybe I am not getting through here, but the "Dominion" should be reinstated. I am saying that the "Canadian" should be improved as a national service, the only remaining national service. I think it should be improved and upgraded and promoted and everything done to assist it. I think there is a demand for this kind of service if it is a good service that you can get when you want to. I think this is the point I was getting at.

Mr. CANTELON: You really do feel there is a demand?

Mr. GUNTER: There is.

Mr. CANTELON: Do you feel that it lies within this effective demand definition that CPR speaks about, that is, that the service must be economic; that it must be profitable?

Mr. GUNTER: No; I think this is part of the whole operation—it is one part of it. We read articles in the states where they say that the passenger service is their public relations and their advertising and good public relations aid the rest of this freight and handling and everything else.

Mr. CANTELON: Would you have the railway then just absorb this loss leader, if you want to put it that way?

Mr. GUNTER: I think partly yes—I would say yes.

Mr. CANTELON: This is what I wanted to get clear.

Mr. SHERMAN: Mr. Chairman, and Mr. Gunter, the exchange between you and Mr. Cantelon just gave rise to a supplementary question in my mind. You said that you really do feel there is an effective demand for maintaining the "Canadian", upgrading and improving the "Canadian". May I ask you whether you really do subscribe to the reverse of that: in other words, do you feel there is not an effective demand for reintroduction of the "Dominion"?

Mr. GUNTER: I think I said that there is an increased passenger demand in the summertime when your heavy tourist traffic is on. At this time of the year I think there might be a need for extra sections to "Canadian" or something in this line. Now, somebody has suggested that they should be 12 hours apart, this makes sense, because our "Canadian" and "Dominion" were travelling at relatively the same time through here, but I think there is a demand for passenger traffic and this should be handled in the flexible way that the railway can handle it and do it in their own best interest. They know what they are doing.

Mr. SHERMAN: Well I take it from the mild and temperate tenor of your brief, and it is one of the mildest briefs and employs some of the most temperate language I have encountered yet in our hearings, that it is more or less the opening salvo in a fight to retain the "Canadian". It is not part of the battle to win back the "Dominion". You are writing that off. That would be just an academic exercise to argue about the "Dominion". You are opening the battle now to make sure we do not lose the "Canadian".

Mr. GUNTER: That is right.

The CHAIRMAN: On behalf of myself and the Committee I want to thank you for the fine presentation on behalf of the city of Medicine Hat. Mr. Sherman mentioned it was mild, but I would say I think it is one of the most fair briefs we have heard. As Mr. Olson stated, for the first time, it is one of the very few briefs in which cost factors have been introduced, to refute some of the cost factors laid out by the CPR in their first presentation. It also provides what I think is most important, and what this Committee has been looking for, namely, solid recommendations on how to meet the present situation and one of the things you answered, Mr. Gunter, and answered very well, is the assuming the "Dominion" is dead, what do we do? I think that you have covered that pretty well with your brief. I really do want to commend you and the city for the presentation of this very fine brief which will be most helpful to us, and the recommendations that have been put forward give us some good solid meat. I do note that in all the briefs that we have been receiving there is one consistent factor and that is namely a new transportation authority to co-ordinate all forms of transport. I think this Committee is 100 per cent with you and the briefs in that matter.

● (11.00 a.m.)

Now, you are presenting, I believe, short briefs on behalf of the town of Brooks and the towns of Maple Creek and Empress. There are not copies of

this brief; there is just a one page brief, so they will be read to the members of the Committee.

Mr. GUNTER: This is addressed to the Standing Committee on Transport and Communications and it is signed by Mr. A. B. Myers, the Mayor of the town of Maple Creek, Mr. C. J. Everett, the Vice President of the Maple Creek Chamber of Commerce, and Mr. Jack McGowskey, Secretary-Treasurer of the Maple Creek Chamber of Commerce.

Gentlemen, the Committee comprised of appointed delegates from the Maple Creek Chamber of Commerce and the town council, have perused the brief prepared by the City of Medicine Hat and inasmuch as they, the city, have included our area in their trading area, we find that they have covered many of the points of contention our citizens have in regard to transportation and communication. We find that, for example, our local hatchery finds they are in the same position as the Medicine Hat greenhouses in having problems in getting the rail line to carry their chicks and hatching eggs. Normal merchandise is shipped via pool cars and held over in Swift Current while farmers and ranchers are compelled to wait for repairs for their machinery. In the matter of passenger service as stated in the Medicine Hat brief it is not uncommon, even in Maple Creek, to run into problems in trying to get reservation on the "Canadian", and once aboard, the passengers find only a few seats occupied. The attitude of the officials in trying to arrange reservations leaves the impression that the Canadian Pacific Railway is definitely discouraging passenger service. In conclusion, we, the Maple Creek Chamber of Commerce, and the Council of the Town of Maple Creek through our appointed delegates, go on record as supporting the brief being presented by the city of Medicine Hat.

The second letter is to the Standing Committee of Transport and communication from the citizens of the community of Empress, re: the removal of passenger service by the CPR. This brief is unsigned. The brief by the city of Medicine Hat with regard to the removal of the passenger service by the CPR is most emphatically endorsed by this community. The community is angered by the CPR's brutal disregard for the needs of train service and the CPR's obligation to the citizens of Canada and extremely strong views are held as to the solution of the present situation. In order to put a full and permanent stop to the constant belly-aching about losing dollars here and losing more dollars there, it is the conviction of this community that the quickest and happiest method to settle the problem is for the government of Canada to nationalize the CPR, before the country has been milked dry, and a worthless shadow of a railroad handed over to the government at the CPR's own volition. The CPR claims streamlining is needed, and that their passenger trains lose money. No one believes this to be genuine, but merely perhaps they make less money than does other means. At least if the government felt the necessity of streamlining, the loss of service to the public and the effect on the economy of the country as a whole would receive very careful consideration before the step was taken, which is far more than has been given by the CPR.

The CHAIRMAN: Thank you very much, Mr. Gunter. Gentlemen, we have adjourn for lunch at 12:00 o'clock, because a function is to take place, and we will resume at 2:00.

We will now have the presentation on behalf of the Chamber of Commerce of Medicine Hat. Mr. Del Pound will present the brief, Chairman of the transportation committee of the Chamber of Commerce.

Gentlemen, the recording operator who is running the tapes has asked that when you are asking questions to speak as close to the mike in front of you as possible, because there is quite an echo in this court room, and the least bit of noise reverberates. Would you please, when you are asking your question, speak directly and closely into the mike; move it around directly in front of the questioner.

Mr. DEL POUND (*Chairman, Transportation Committee, Chamber of Commerce*): Mr. Chairman, members of the Committee, I ask first that on the brief that you have before you delete the first word on the top in the heading.

Medicine Hat Chamber of Commerce joins with other groups in welcoming your committee to our city and province. In the preparation of our brief, gentlemen, we are only giving you our opinions. We do not have the resources to bring forth the results of economic surveys and legal briefs, but feel that these should be before you. If they are not we suggest that maybe your obligation is to see that they are. Transportation in western Canada should assist in our economic growth and not be a limiting factor. Distances between population centres in our areas are such that transportation is a major contributing factor in negotiating and completing the purchase and sale of all goods and services marketed and consumed by our people. The expanding economy of western Canada will require the expansion of our transportation services in an orderly fashion. We believe the further development of transportation should embrace all forms of transportation. For example, when our chamber requests the continuous service of the regular airline service, we dealt with the Air Transport Board. When we submitted recommendations on rail passenger service, we dealt with the Board of Railway Commissioners. We find what would appear as unjust passenger rates being charged to and from Medicine Hat, and we will deal first with air fares and I will only make a couple of comparisons on the charts which we presented to you.

The CHAIRMAN: May I have a motion to have this letter printed in the Minutes of Proceedings and Evidence. Moved by Mr. Boulanger, seconded by Mr. Thomas: carried.

Motion agreed to.

Mr. POUND: For example, the air fare from Calgary, or just take from Lethbridge, which is not on the main line run of any major air line, but is served off from a feeder line, serviced by Trans-Canada Airlines or Air Canada, we find is \$89, as against \$103 from Medicine Hat, although we are closer to Toronto. We can make a comparison between Winnipeg, Medicine Hat and Winnipeg and Calgary and Winnipeg: \$51 from Medicine Hat; \$43 from Calgary. We realize of course that we are dealing with two air carriers in this case but possibly there should be negotiations between Air Canada and the feeder lines feeding passengers into their trans-continental service whereby some of this can be recovered by the local carriers.

Dealing with the rail passenger rates from Medicine Hat to Brandon, as against Calgary to Brandon, we find equal rates; Medicine Hat to Winnipeg.

and Calgary to Winnipeg, and so on. In other words, our fares out of Medicine Hat, although we are 180 miles closer to these centres, are equal, which indicates that our rail passenger service rates out of Medicine Hat are higher than some other centres. We recommend that the federal government give strong consideration to the appointment of a permanent advisory council on transportation or a similar body as recommended by the Royal Commission on Transportation for the purpose of investigating and reporting on the special growth and complications of the transportation industry, and the interconnection of these problems between all types of carriers with a view to inviting and recommending to the government principles leading to the regular revision of national policy of transportation and for the purpose of conducting a continuous evaluation of the impact of changing technology, legislation and regulatory practices on the various branches of the industry.

Mr. CARON: You refer to rail transportation and the air transportation but with respect to rail transportation you do not add to the berths and the meals on the train. It is only transportation. But if you want to compare that with the air transportation you would have to add these others things.

Mr. POUND: We are not trying to make a comparison between rail and air, only air from station to station and rail from station to station.

Mr. OLSON: Mr. Pound the major recommendation you make is to set up some kind of transportation authority, but we find a new word or perhaps a different concept in your recommendation than in any of the briefs we have heard before either at the hearings in Ottawa, Vancouver or Calgary. We have heard recommendations something like this at all of the hearings. You call it a permanent advisory council on transportation. Would this council be to advise the Parliament of Canada or the Department of Transport. What I am puzzled with is that farther along in your paragraph, you talk about regulations. Are you suggesting that this body be only advisory or that they be an authority that had regulatory powers.

Mr. POUND: No, I am suggesting that it only be advisory, and give advice to the regulatory bodies.

Mr. OLSON: The present Board of Transport Commissioners would then have to stay in existence to be the regulatory body for railway business? What about the Air Transport Board for air services, and the Marine Commission for marine services?

Mr. POUND: This is the case.

Mr. OLSON: I just wanted to be clear on that, because in some of the other briefs it has been suggested that this authority be an authority with power rather than an advisory council. Thank you, Mr. Chairman, I just wanted to be sure that we understood this.

The CHAIRMAN: Any further questioning of Mr. Pound?

Mr. ANDRAS: Mr. Pound, going back, do you think that this advisory council should get in the area of including party politicians or members of Parliament, or should it be kept as much as possible out of the political area?

Mr. POUND: It should be as much as possible out of the political area. The one thing I think that we are trying to recommend is that we have some bodies which will deal with transportation as a whole, looking at the transportation situation as a whole, rather than as individuals, as we have at the present time, or possibly have at the present time with your various boards.

Mr. ANDRAS: Do you think we should have a regional sort of make up people from different regions as well as the experts insofar as transportation itself is concerned—people who know the technique of transportation, and have knowledge of an area as well as knowledge of transportation itself?

Mr. POUND: One thing you find in western Canada is that all of our transportation facilities have been geared east and west, while today a good percentage of the population is moving further north.

Mr. O'KEEFE: Mr. Chairman, in paragraph 6 of the brief, we find what would appear as unjust passenger rates charged to and from Medicine Hat. Can the witness suggest why the CPR should charge Medicine Hat unjust rates to Medicine Hat in particular?

Mr. POUND: No, I have no suggestions.

Mr. OLSON: There is one more question I would like to ask Mr. Pound, Mr. Chairman.

The CHAIRMAN: I have a question, and then I will turn it over to Mr. Olson. I was just wondering, do you agree with the representation made here this morning by Mr. Gunter on behalf of the city that restoration of the "Dominion" is not really a solution to this problem; it is really the improved service of the "Canadian" or the continued service of the "Canadian" that is required. Would that take care of the passenger demand in this particular area?

Mr. POUND: If we are dealing strictly with rail passenger service, yes. I do not think we should try to resurrect the "Dominion".

Mr. BOULANGER: If you would excuse my English, Mr. Pound, do you mean to tell me that you do not really worry very much about this pulling out of the "Dominion" train service, are you not scared that with this "Canadian", you are put in a position where you will be depriving your population of the better way of travelling to get to Montreal to see the world exposition and also prevent the people from our country from getting down to visit you. You do not seem to worry very much about the passengers, or tourists, which are a very important trade for you, as well as for us in the east. Do you not see anything dangerous in that?

Mr. POUND: If passenger service were warranted, they would have to put on additional trains or cars on the "Canadian", to provide the service necessary to carry those passengers.

Mr. BOULANGER: So you mean that the "Canadian" so far as the world exposition is concerned, alone, with added cars, would satisfy everybody out west and in the east too, services and passengers? Is that what you think?

The CHAIRMAN: I do not think that there is a comment on everybody out west; the question I placed, that you asked a supplementary to had to do with this particular area.

Mr. BOULANGER: Well, that is it. The tourist business for you must be as important as it is for us down east?

Mr. POUND: I would still maintain that as for the resurrection of the "Dominion", I would rather see it forgotten, but make certain that the "Canadian" is improved to a point where we can rely on it, so you fellows can get to bed at a reasonable time, for example.

Mr. OLSON: To follow this through, do you think, Mr. Pound, that the "Canadian" is able to handle the summer traffic out of western Canada, including the passengers who want service from Medicine Hat?

Mr. POUND: If they cannot improve their service, they are not going to have very many passengers of any kind.

Mr. OLSON: Mr. Pound, in the first paragraph, you talk about economic surveys and legal briefs and so on. What I am interested in is that you say that if these are not before us, you suggest to the Committee that it is our obligation to see that they are. I was wondering if you could tell us what kind of economic surveys and other briefs you think ought to be before us, and the one I am particularly interested in is this matter of cost.

Mr. POUND: I think Mr. Gunter has covered some of that in his brief from the city, and pointed out some of the areas in which we found difficulty in trying to make comparisons, and I would think that those figures would be available somewhere through some of the Government branches; it would be available to you.

Mr. OLSON: In working with the city, in trying to look at these costs and so on, are you suggesting that if we do not have an analysis of these costs by some cost accountants that we have an obligation to get them?

■ (11.20 a.m.)

The CHAIRMAN: This obligation is being fulfilled now, I think. I suggest, Mr. Pound, it is under way.

Mr. OLSON: Mr. Chairman, it depends how deeply we go into this, and I would like to have his opinion on how deeply we should go into this; should we go into the same trouble that some of the provincial Governments did or example in 1958, when they made a real cost analysis in depth on Crowsnest main drain, even if it is a dirty word. It would be interesting to know how far these people think we ought to go into this matter of analyzing costs.

Mr. POUND: For example, I have absolutely no idea what the CPR's position is with respect to the movement of grain, since you brought that up.

The CHAIRMAN: We cannot discuss that now.

Mr. POUND: All right then, we will forget it. This is an area in which transportation is involved and the CPR tell us it is involved with regard to passenger service.

The CHAIRMAN: We will be moving into the grain shipment later on in our hearing, but not with respect to this particular hearing. We will be dealing with it at great length, of course, when the new bill comes in and that specific topic alone so we will look forward to hearing from you on that one. Are you through Mr. Olson?

Mr. FAWCETT: This is in connection with something that is sort of amazing to me. In the first place, we did not have our witnesses telling us that the "Dominion" should be reinstituted. I am just wondering if perhaps the fact that the "Canadian" operates through here at convenient time, would have a bearing on the fact that you do not feel that reinstituting the "Dominion" is an important factor. For instance, if the "Canadian" was operating through here at two or three o'clock in the morning, both ways, would you still feel that "the Canadian" was sufficient. As a personal opinion, I would feel that you do have very convenient services as far as trains are concerned.

Mr. POUND: I would say that it has a bearing on our thinking, probably. I think I would be remiss if I did not say it had a bearing on it.

Mr. ANDRAS: Mr. Pound, assuming that even if we did get different figures from outside independent costs analysts with regard to the deficit of the CPR on their passenger train operations, assuming that it still came up as a deficit, if the train the "Canadian" continued to operate, that deficit has to be paid for by either the public purse or by the Canadian Pacific Railway. Which do you feel is right? Assuming that the service as we all, I think, feel has to remain as a necessary thing for Canada to have, but it still operates at a deficit, on whom should this deficit be saddled?

Mr. POUND: That is a good question. I do not know what the obligations of the Canadian Pacific are in their original agreement with the Canadian government. Certainly we know that there has been considerable changes and I have read someplace where one of the CPR people was very glad that it did not stipulate that they had to provide ox-cart service or somebody would be after them for that to be continued. But I would think that the Canadian people if there is a deficit, should be interested in providing a portion of that deficit in order to continue the co-ordination between the two extreme ends of the country. Certainly we have a population situation in Canada that probably does not exist in any other country in the world, where we have the distances involved with the few people that we have to move around.

Mr. ANDRAS: Do you think that it should be subsidized by the public purse?

Mr. POUND: To some degree, yes.

Mr. HOWE (*Wellington-Huron*): In that same connection, if we create a principle or an ideal of subsidizing the railroads for passenger traffic, then what happens? I well remember in 1958, when the bill came in to subsidize the freight rates; we were sure that we would have to raise the rates, and the trucking industry was very upset. If we subsidize this kind of transportation then we will be in trouble with the air people, the bus people, the trucking industry, who are in all types of transportation. I am just interested in the situation.

Mr. POUND: I think that when we are dealing with rail passengers service we are dealing with the movement of merchandise on the rail as well. If we are dealing with bus or air, I think we are dealing primarily with passengers. I think that there is an interrelationship there—I certainly do not know enough about it to discuss it intelligently.

The CHAIRMAN: Thank you very much Mr. Pound for your fine presentation. Before you go I would like to, through you, thank the Chamber of Commerce

for the reception they tendered this Committee last evening, and giving us the opportunity to mix with you and find out your problems and for you to mix with us and find out about us. Thank you very much.

I am wondering if the representative of the town of Brooks have arrived yet. No. We will now take the brief of the Medicine Hat Florists and Growers, Mr. H. E. Wahl, President, and his delegation. Gentlemen, I would like to introduce Mr. H. E. Wahl, president of the Medicine Hat Florists and Growers Association.

Mr. H. E. WAHL (*President, Medicine Hat Florists and Growers Association*): Mr. Chairman, members of the Parliamentary Committee on Transport and Communications; may I first express my hope that you have enjoyed your tour this morning, of what is probably the second largest greenhouse in Canada; I am sure you have, and your thoughts were expressed by a few members at the location. It was our pleasure to host you on this tour, and to acquaint you in a small way with our operations. I respectfully submit the following brief on behalf of the Medicine Hat florists and greenhouse growers, consisting of 22 independent greenhouse operations, and three retail flower shops. Of the 22 greenhouse operations, 11 are located in Medicine Hat, and 11 in Redcliff. Seven of these were shipping flowers this winter, and the rest are producing vegetables. I might add here, as you have heard in the Medicine Hat brief, that we ship flowers from the Lakehead, Fort William, west to Vancouver, the area we trade in. In this area, referring now to the glass area, we have roughly 1,160,000 square feet under glass, involving a total investment to the owners of approximately \$2,320,000. We employ in the neighbourhood 110 full time people and 15 part time family operations who own greenhouses and work elsewhere. The gross turnover of our industry is estimated \$1.5 million per annum. This figure as well as some of the others, could be questioned. It is always difficult for one man in an industry to gather figures from his competitor. No one will tell you how much they are making, no one will even tell you where and how many flowers they ship, because there is this fear that one might steal another ones customers. There are, or I should say there were three ways of shipping flowers from Medicine Hat several years ago as indicated in the city of Medicine Hat brief. The Board of Transport Commissioners thought fit to relieve us of our air service; and just recently to replace it with one which, capable as it may be of moving passengers, cannot handle our flowers because of the size and number of cartons involved.

You saw the cartons down at the Medicine Hat greenhouses, about 50 inches long. The cargo hatch on the aircraft presently being used by Melair, I think, is 38 inches long so that there is no question that we cannot even get a single box of flowers into the aircraft, never mind the volume that is going out and is discussed later in the brief.

The Greyhound Bus Lines handle a portion of our flower traffic; now, especially to the smaller centers that do not have regular rail or truck services any more and they are beginning to carry some flowers to the larger cities as well where the CPR schedules do not operate reliable service. Rail combined with truck service is the way the majority of our flowers have been moved in the past year and a half and it is estimated that we ship one half to three

quarters of a trailer load of flowers east and west each day of the week except Friday and Saturday. This increases to five and ten trailers each direction during the period immediately preceding a major holiday. Although not our main problem, incoming shipments of perishable supplies are creating more and more difficulties for us and here since it has not been earlier mentioned, may

I interject that the perishable business is not one peculiar to the florist alone. It is being mentioned to me that the drugstores in town among others bring in perishable goods and drugs and they are most anxious that a means of transporting these goods effectively be maintained. There is another small point here that one would not think was very important. The ranchers in this area bring in semen for artificial insemination of their cows and this stuff comes in, in dry ice and must be handled as a perishable. With particular reference to the greenhouse industry, rooted cuttings, for example, are brought in from eastern Canada and must be planted on a very tight schedule in order that they bloom at the time required. You saw these small plants down at the greenhouse I am sure. When part of the shipment is lost for five days we lose not only the value of the cutting, but the end product which may be five times as valuable and must be harvested for example for Easter or Mother's day and not five days later. Ferns brought in from the west coast must be shipped with our flowers and not three days later because the retail florists must have these to make up their artistic arrangements which you and I send to our wives when they are in the hospital.

● (11.30 a.m.)

Our local retail shops import flowers into the Medicine Hat area that are out of season here or are not grown here and this presents a problem to them as well. They bring in orchids for instance; they bring in gladiolas when they are out of season here and that sort of thing. Similarly the retail florists to which the wholesale growers ship must have their flowers on time to fill their customers' orders on the occasions for which the customer wants them and herein lies the major problem. Our flowers were at one time before the dropping of the "Dominion", classed and handled as perishable express by what was known as the front end equipment of passenger trains. They were received in heated express offices, held there during the transfer, weights or layovers and delivered at destination from similar establishments. With the recent changes in our railroad handling system, many express offices have been moved to and amalgamated with freight sheds—long unheated buildings formerly used by LCL freight operations which have no requirement to provide environment for perishable goods. As a further result of the changes the railroads have made in the last couple of years our flowers were moved from the front end equipment of the passenger train to highway trucks whose environment was as unsuitable for perishables as the building, and of course this resulted in losses and subsequently in claims that the railroad now presents to us as the reason for embargoes during cold weather.

At the 1965 fall meeting of the Alberta Region of Flowers of Canada, our trade organization, Mr. MacLeod, the superintendent of operations of Canadian Pacific Western Region, informed us that the CPR had been carrying our flowers by highway service since June 1st of that year. The "Dominion", by

the way, was dropped on July 1st of that year, and they would continue to do so through the winter. He stated despite considerable doubt expressed by those in attendance that their trucks were available and adequate to handle our products. On December 24, 1965—this Christmas past—when temperatures dropped to 20 below—a not uncommon temperature in this area—all flowers were moved by “Canadian”, the only remaining train and were handled by the train until the weather moderated in early spring. The DCR trailers which probably would have stood up to the weather were not available and standard propane heated trailers had their stove vents frozen over due to the cold and became unsuitable to handle perishables. Then for approximately three months flowers were moved by the “Canadian” which was running up to 14 hours late at all points and consequently missing all transfers that were off the main line. As an example here I give you the Red Deer-Edmonton run and Saskatoon-Melford and so on in that area. During this period it was virtually impossible to predict to the nearest day when a shipment leaving Medicine Hat would arrive at any destination in western Canada. This year, the second in succession, the CPR and its subsidiary CP Merchandising Services, placed a complete embargo on all flowers going east out of Medicine Hat from 3 p.m. on Thursday, January 27 to 3 p.m., Jan. 31, and severe restrictions making shipping impossible from then to 3 p.m. on Tuesday, February 1. Thus, for a period of five days we were unable to ship flowers out of Medicine Hat by CPR. Our losses during this period were fortunately minimized by three factors.

1. The embargo was enforced on the approach of a weekend when our shipping is normally light.

2. The Greyhound bus lines were able to accept some of the lightened weekend load—and did a good job of it, I might add.

The weather modified sufficiently after five days and the railroad lifted the restriction. Some of the actions ensuing from this embargo lead to yet another problem that we have with the CPR. On the 27th of January when we were first verbally advised of the embargo by the local terminal office, we requested a written confirmation anticipating this hearing I am sure. We also sent out a series of telegrams to Ottawa and Montreal protesting the action. On the 31st of January, both Mr. Rump, the secretary of the Board of Transport Commissioners, and Mr. Frayne, vice president of rail operations, advised us that the embargo had been lifted on the 29th of January, two days previous, and made no mention of any restrictions except that the flowers had to be delivered to and picked up at the terminals. On this date, the 31st of January, when the embargo had been in effect for four days our local terminal verbally acknowledged the lifting of same, but stated there would be no carrier liability while enroute. The flowers would have to be picked up at the train—not the terminals. Now there are several very important items here that I might touch on if I had just a moment. This picking up of flowers at the train, particularly from the “Canadian”—if you can visualize our firm ships on an average day 20 customers to the east of here and this meant I would have to phone each of these twenty customers and tell them that the “Canadian” would be in sometime during the night and that they would have to go down to the train and wait at the track to pick up their flowers. The CPR felt that their handling facilities at the other

end were not adequate to handle the flowers so they imposed locally from the Medicine Hat office this restriction that they must be picked up at the train.

On the 1st of February, following further protests to the above mentioned parties, we were finally verbally advised by our local terminal manager that service was restored to the Late "Canadian", if I may use a pun. During the entire five days we were unable to obtain a written confirmation on the status of the service from our local terminal manager. However, we now have two different confirmations from the regional manager and the vice president that not only disagree with each other, but are completely different from the services that were actually extended to us here in Medicine Hat. If the vice president actually lifted the embargo on January 29th, why could the local terminal manager and we the shippers not have been notified on the same day. Surely on a matter as urgent as one that affects the very existence of an industry—a company that operates a major communication network in this country—could convey information of this nature to us, their customers, immediately, and in such a manner that it could not be altered or refuted a few days later by a higher authority. In conclusion, gentlemen, would you buy a wilted bouquet of chrysanthemums for your wife two days after Christmas, or would you like your daughter told that she would have to delay her wedding for an indefinite period—maybe ten days—because the flowers had not arrived, or do you know of a market for \$100,000 pile of garbage two days after a major holiday. This is the situation we, the florists of Medicine Hat could have faced if the weather had turned very cold two weeks before Christmas last year instead of on the 27th of January.

We grow a perishable crop that must be moved to market within a few hours of its harvesting. We cannot wait for the weather in our transportation network to modify nor can we exist on summer promises that winter facilities will be available. Flowers and vegetables are a perishable express item which cannot be handled by a transportation network that has given over the handling of its express to a basically freight organization.

At this point I would just like to interject that the Los Angeles and Denver flowers can be landed in Saskatoon and Edmonton faster than ours can from Medicine Hat during the winter. We are flower and vegetable farmers and do not pretend to be transportation experts. We merely hope that by the above submission we can draw your attention to our problems and plead with you to consider them and us in your deliberations on our country's future transportation facilities.

Mr. HYMMEN: I would like to refer to the second paragraph on page 2. You talk about the front end equipment and you talk about our railroad's handling system. I gather that the changes which have been made were made both by the CNR and the CPR. Am I correct? In other words the change here is not a change exclusively that of the CPR.

Mr. WAHL: Unfortunately I am not able to express any even opinion on what the CNR has done because we do not see the CNR from here. I do know for instance that the CNR still does run Regina to Saskatoon trains where the CPR I think have abandoned this and are now transferring our stuff in Regina to the CN facilities. This for one would lead one to believe that the CN is perhaps

still a little more directly involved in the shipping of perishable goods or perhaps are more interested. You can ask the CPR about that, but I just wondered if there was a general change, I am trying to get at a basis for the reasons for dropping this front end equipment. I presume they felt it was more economical to carry by road if they had the proper equipment for this transportation by road.

Mr. HYMMEN: Another question. You mentioned that the Los Angeles and Denver flowers come in earlier. Are the American flowers transported by the United States railroad?

Mr. WAHL: No. They are transported by air from Los Angeles to Minneapolis, transfer, I believe from there to Winnipeg and from Winnipeg to Saskatoon. They get practically overnight service where during difficult periods our service from Saskatoon is two days. Saskatoon is just over the hill. If you get up high enough here, you can see Saskatoon.

Mr. O'KEEFE: Mr. Chairman, on page 2 paragraph 2, the third line, when you are speaking of flowers, you say:

They were received in heated express offices, kept there during transfer wait and delivered to destination from similar establishments.

Are those heated express offices still in existence and why can they not be used more when necessary?

Mr. WAHL: I can speak from first hand experience probably only of the Medicine Hat office in which what used to be the express office was given over to baggage handling, I believe, and there the express people were moved down into these long unheated freight sheds as described. I presume that during the amalgamation process—the process where the express and freight were amalgamated, they moved these people out into the freight sheds and they gave them—they insulated a small corner of the room for them to use as an office, and the rest of the shed is completely unheated. In the winter you can go into that freight shed and it is 20 or 30 below zero in the shed, not at all an environment for perishable goods.

Mr. O'KEEFE: Can I ask another question, Mr. Chairman?

The CHAIRMAN: Not now, Mr. O'Keefe.

Mr. CARON: On page 2 you say that there was an embargo placed on flowers from January 27 to January 31 or February 1. Do you know why they put that embargo on.

Mr. WAHL: In their explanation to us they led us to believe that it was due to the extreme cold weather and due to claims that they had had. However, in my experience, and speaking to my own customers, I had only one customer complaint from the 15th December to the 15th of March of frozen merchandise received. We, at this end, have no way of keeping track of the losses because the merchandise is shipped charges collect and the recipient is asked to claim if there is a loss, but to my knowledge and from my customers—personally we have 43 customers from our place—I had one complaint of frozen merchandise during that time.

Mr. CARON: Would you suggest that the CPR is not organized to take flowers when the temperature is too cold.

Mr. WAHL: Not organized and they do not have the proper equipment. That is right. They moved from equipment that was suitable to equipment that is unsuitable.

Mr. CARON: According to you they do not want to handle these goods—the perishable goods?

Mr. WAHL: No, this equipment was front end equipment on passenger trains. The first one or two cars on the front of every passenger train at one time—we may have railroad people here who could help us with this, but the first couple of cars were always baggage and express cars and they were heated and ventilated and cooled and so on to carry perishable merchandise.

Mr. SHERMAN: Well, that introduces a point that I was going to raise, Mr. Chairman. I would like to commend Mr. Wahl and his association for a lucid presentation of an obviously important argument and point of view but the brief in some of its aspects seems to stray some distance from the terms of reference of this Committee in view of the fact that we are supposed to be considering the rail passenger service operated by the CPR in the west and effective demand for same. This last remark of yours though, Mr. Wahl, does clear up the question in my mind to some extent. You said just now that this question of yours is related strictly to passenger service and, on the basis of general freight service, the flowers and perishable produce in which you deal cannot be handled in an efficient way. You cannot ship your goods efficiently and expect them to have protection from the elements. They cannot go any other way than by the old and long established passenger service operated by the Railway.

Mr. WAHL: I would not say that it could not be done. I would prefer to say that the proper handling methods have not been researched and developed—or certainly not instituted by the railway, if they have been developed. As I mentioned they have what they call ECR trailers available as an envelope cooling environmental thing that is an excellent unit for transporting perishables. You could transport people in it. They are a well controlled unit, but the fact is that they have not put these into service. They have kicked us off of passenger trains and they have not replaced that service with another service that is as suitable.

Mr. SHERMAN: One other question, Mr. Chairman if I may. It is more in the nature of an observation than a question, in that it refers to a question that Mr. Hymmen asked about the CNR and its ability to handle these perishable goods in the wintertime and whether or not the same embargos were imposed by the CN as were imposed by the CPR. From my own experience coming from Winnipeg, I can say that certainly in this past winter, I know that I was involved in one or two controversies on this subject. Certainly during this past winter the CNR imposed similar embargos on perishable goods being shipped out of Winnipeg to western Canadian points and there was a similar outcry raised by shippers there. And it applied to the CN in that case rather than to the CP, so apparently it is a problem that is being created as a result of technological changes made by both railways and not just by one.

Mr. SOUTHAM: Mr. Sherman has dealt with one of the questions, particularly that section of it that I was going to question. Thank you, Mr. Chairman. As I say

Mr. Sherman has dealt with the main question I had in mind, but I would like to associate myself with his remarks in the fact that the witness has given us a very comprehensive brief as to how the takeoff—I presume it was the takeoff—of the Dominion developed these problems in connection with your industry. I was interested in the remarks by previous witnesses to the effect that they were not too concerned with the takeoff of the “Dominion”, provided that the “Canadian” develop this service and enhance it to look after the vital services. What is your opinion, sir, with respect to this problem? Do you feel that these problems have developed since the “Dominion” was taken off and it is the inadequate service of the “Canadian” that has created your problems. Is this the basic thing insofar as your industry is concerned?

Mr. WAHL: It is certainly a coincidence, sir, that our problems seem to have developed following the removal of the “Dominion”—at least the larger portion of our problems. The “Canadian” is, as it comes through here in the summer, quite capable of handling our flowers. The problem is that it only stops here for eight minutes and the people at the merchandise services cannot put 120 boxes of flowers on that thing in eight minutes and get the rest of their stuff off that is to come off in Medicine Hat. This is, I suggest, one of the reasons why the “Canadian” runs so late during the wintertime. It is difficult to service this train in cold weather—nobody likes working outside—and I think this may point to one of the reasons that perishable traffic particularly has to be handled a little more carefully in the winter, not only from a temperature standpoint, but from a physical handling standpoint. When a train pulls into a station like Swift Current and has only two or three minutes, I am not sure what stopping time there is, they just cannot get 15 or 20 boxes of flowers off and get the rest of the stuff on in time. And it accumulates coming across the country, I think, and we end up four or five hours later.

Mr. SOUTHAM: I noticed that the witness was interested in the contention, or some of the other members of the Committee, I should say, were interested in the contention by previous witnesses this morning that they were not too concerned with the removal of the “Dominion”, providing that the “Canadian” services could be stepped up. What is your opinion? Do you go along with that contention or do you think that the answer to your problem here, as a group representing your industries, is that we should have the “Dominion” reinstated, or would you go along with that?

Mr. WAHL: We, and I particularly do not, as I said, pretend to be transportation experts. All we are interested in is getting our stuff out. I do not think that the “Canadian” as it exists today is capable of doing that, not with an eight minute stop in Medicine Hat and not with the room that it has on it and not with the late schedules it runs. I do not think the trucks as they exist today are capable as I have outlined. There are many possibilities here, not necessarily involving the railroad. I think that Greyhound bus lines could do an excellent job of handling this material if they do as they have intimated they are going to do and that is change their type of bus to one which has a cargo compartment—a walking cargo department. In the United States Greyhound is carrying something like half of all the flowers that are carried. The areas are served by Greyhound with walking cargo compartments. Our contention is not that the

"Dominion" must be reinstated to give us flower service. It is that somebody should look after this problem and try to work out a solution from three carriers that would solve the one problem.

Mr. SOUTHAM: Mr. Chairman, I realize that we are sort of sitting on the edge of this whole problem. Our terms of reference deal with the passengers and the rail service, but I am very interested in and sympathetic to Mr. Wahl's problem that he is presenting on behalf of his industry. Could you, Mr. Wahl, give us any recommendation? We know some of the problems but we are always interested in getting recommendations that will help the committee to come to a logical conclusion. Have you any recommendation to make with respect to the services that the "Canadian" could provide to eliminate some of your problems, apart from the bus references you have made?

Mr. WAHL: I feel personally that the "Canadian" is too fast a service, at least their schedule is too fast, to permit proper handling of these perishable goods. As I said before, eight minutes in Medicine Hat is not enough; they only put half a shipment on or they only get half a shipment off in that time, therefore, the "Canadian" as it exists is not suitable. However, one of the recommendations that I suppose we could, and would like to make, would probably follow along the lines of the two previous briefs: that a board or council of some sort be established to take up this problem of ours, the problem of embargo, the problem of cold weather handling, poor schedules. Instead of having the railroad pass us from one office to another, having one committee pass us to another committee, and so on. We were told by the Board of Transport Commissioners that our problem rested with the Alberta department of highways and that we should appeal to them, because the stuff was moving by truck. As a matter of fact, it was not moving by truck at all; it was moving by train. We are getting passed from one office to another and we do not know where to appeal. That is the reason we are before you gentlemen today.

The CHAIRMAN: Thanks very much, Mr. Wahl.

Gentlemen, I think that this might be a good time to adjourn. I have five other members to ask questions and I am sure there will be more. We will adjourn until two o'clock and I ask Mr. Wahl to return. The other briefs will be heard this afternoon.

AFTERNOON SESSION

● (2.00 p.m.)

The CHAIRMAN: Before we commence, there was a brief presented to us at noon by the Medicine Hat Downtown Kiwanis Club which is in two parts. Instead of reading it I would ask that a motion to have it printed as an appendix to our Minutes of Proceedings and Evidence.

Mr. ANDRAS: Mr. Chairman, I would so move.

The CHAIRMAN: Moved by Mr. Andras, seconded by Mr. Olson. All in favour?

Motion agreed to.

The CHAIRMAN: Mr. Fawcett is not here. Mr. Reid.

Mr. REID: Thank you, Mr. Chairman. Mr. Wahl, the demand for your product from the greenhouses is it a peak demand at certain periods of the year which you can foresee or is it a constant demand?

Mr. WAHL: In answer to your question, I might point to paragraph 4 or 5 on the first page of the submission which outlines roughly the quantity of cartons which are shipped from this area and this, in a sense, tells the story of the demand. We have a regular year round production, 52 weeks of the year, and over and above this we have extra production for Christmas—the largest by far holiday season—followed by Mother's Day, Easter, Valentine's, in that order and then several other smaller holidays, such as Remembrance Day, 1st of July, Labour Day and so on.

Mr. REID: In other words, you have a certain minimum year round production with certain varying periods?

Mr. WAHL: Definitely, yes.

Mr. REID: It is a very difficult thing for the transportation company to arrange its transportation facilities to suit you all the time. There is a burden on the railway in this way or any transportation system, because it is not an easy thing for them to keep up a great deal of transportation facilities which are not going to be used except at certain peak periods. Your problem is that even the possibilities of moving your minimum production are being sharply curtailed?

Mr. WAHL: This is true. The peak productions for holidays however, can be quite accurately forecast by our industry, and have been, as a matter of fact. This past Christmas, for probably the first time, we had official representation from the western region of Canadian Pacific in this area to survey the requirements for the pre-Christmas shipping. As a result of their survey they anticipated the needs and had trailers made available for the Christmas shipping that were adequate because the weather conditions were moderate enough. Had the weather been any different, of course, the trailers which they provided would not have been adequate. But these demands can be forecast for any holiday and the equipment, I believe, can be moved—juggled around—by the railroad if they take the trouble to do it. The demand for meat carrying facilities out of Lethbridge is much lower, I have been told, the two week period before Christmas than during the rest of the year and these trailers which carry the meat, the DCR trailers, are the ones which we would dearly love to have to carry our flowers out of here.

Mr. REID: Would you not say that in a case where there is a substantial industry growing up around a particular specialized type of transportation which is vital, that the transportation company concerned does have, if not a legal obligation, a moral obligation, that before removing the service, it provide adequate alternative transportation?

Mr. WAHL: Of course, this is the feeling of our group and we have in the past two years, tried to express this feeling in a number of ways to a number of bodies. However, we have the feeling that this fell on deaf ears.

Mr. REID: Is there a possibility of forming some sort of a transportation co-operative to go into the transportation business yourself to look after part

of your transportation problem? The reason I ask this is that we have a transportation problem in my riding where a fish processing plant, that requires the same type of specialized transportation, was cast adrift by the CPR at about the same time. They had the same type of varying peaks because their market was in New York. This was the course they followed and I wanted to know if your organization had gone into the possibilities of going into the transportation business yourself in order to compensate for the loss of the CPR transportation facilities?

Mr. WAHL: We did look into this about a year ago and determined as best we could that we could form our own co-operative transportation organization to carry flowers out of this area and probably do it economically except for the fact that our trucks would be coming back empty with no revenue coming back. This is the reason we did not pursue the matter. We have no cargo of any type, especially perishable cargo, coming back into this area to speak of, it was therefore uneconomical for us. We do feel that for somebody who has a cargo moving in both direction as the CPR has and Greyhound have for instance, this comes more into the realm of possibility.

Mr. REID: Is the possibility of your expanding your market limited by the type of transportation you can get out of Medicine Hat?

Mr. WAHL: I would say most definitely. I do not think there is a greenhouse operation in this area that would care to expand under the present limits that have been put on our transportation facilities.

Mr. REID: The question I am really asking is: Would it be possible for you to penetrate the Toronto market if you had adequate transportation down there?

Mr. WAHL: The Toronto market is 2,000 miles away and they have greenhouses—large greenhouses—much closer, which actually export flowers sometimes into our trading area. This becomes a matter of trade balance east-west. I do not think there is too much of a possibility of flowers moving from here into the Toronto area; but most certainly as far as Winnipeg. We are closer to Winnipeg than Toronto is, and there is no reason why we should not be servicing the Winnipeg market rather than Toronto, or rather than Los Angeles.

Mr. REID: Thank you, Mr. Chairman.

Mr. OLSON: Mr. Chairman, because of the acoustics in here I wonder if we could ask the members and the witnesses to speak a little louder?

The CHAIRMAN: The acoustics are very bad in here so would you speak a little louder?

Mr. FAWCETT: The questions that Mr. Sherman, Mr. Southam and also Mr. Reid have asked pretty well confine my questions. I have two brief questions to ask. First, and I think this gets to the crux of the matter, prior to the cancellation of the "Dominion", did you feel that you had adequate facilities for handling your flowers and transporting them out of Medicine Hat? Did you experience any difficulties while the "Dominion" was in existence?

Mr. WAHL: I think I can truthfully say that we did not. We have always had a small number of claims through the cold weather periods; that is, our customers have had to claim on frozen shipments arriving, but it is my personal

observation that the number of claims have increased markedly since the dropping of the "Dominion" and ousting us out of the passenger trains with our perishable express. The question of service having been adequate before the removal of the "Dominion" is, I think, an argumentative one. One can always find fault with something if one digs deep enough. We had difficulties in those times as well, but certainly nothing compared to what we now have.

● (2.15 p.m.)

Mr. FAWCETT: My second question is along the same line. It is in connection with the centralization of services, which I think is something that is taking place in all forms of transportation, not just the railways. Would you be in a position to say whether or not centralization of services since the cancellation of the "Dominion" could be having an effect on the general service that you are now getting? By this I mean, the discontinuance of certain agencies and agencies who moved to a central location rather than having a full series of agencies as it was some years ago. Are you experiencing any difficulty in this regard? Have agencies been eliminated that are affecting your transportation of flowers, and so on?

Mr. WAHL: Well, certainly terminals have been eliminated in smaller towns if this is what you mean by the elimination of facilities, the same as passenger terminals have been eliminated in smaller towns. I think in terms of Clarisholm or Macleod—I am not sure which one—which I believe lost their entire facility and Redcliffe, for that matter, lost their passenger terminal facility because the train no longer stops there. And the loss of these facilities have, of course, influenced our method of distribution or the railroad method of handling our products. They are now forced to take our produce to the larger centres, the same as they are taking the passengers to the larger centres and from there the material has to find its own way back to the smaller centres or be delivered by a shuttle truck that is unheated. For example, Rivers, Manitoba; everything is closed up there now, the flowers and passengers, I believe, have to go through to Brandon or through to Winnipeg and come back.

Mr. FAWCETT: Your answer to my question, Mr. Wahl, indicates one of the things which I think does have a part in addition to the "Dominion".

Mr. CARON: I would just like you to clarify whether you ship by express or by freight?

Mr. WAHL: The service is actually called express.

Mr. MACEWAN: All I want to ask, Mr. Wahl, is, if the proper type of trailer-truck equipment was available, would this not be the best way for you to handle the marketing of your product?

Mr. WAHL: This certainly is one of the key factors in moving our perishable merchandise. The trailer, or whatever means are used, to move it from Medicine Hat to the centre to which it is going is a key factor. The other factor that either trailer nor train satisfied is the terminal facilities at this end and at the receiving end and at transfer points, such as Regina and Saskatoon transfer. The trailer can be as good as you like to make it, but if it is going through to Winnipeg and a transfer has to be effected at Regina to move produce to Saskatoon, just like the passengers who have to transfer, passengers will not wait in a cold waiting room and the flowers will not tolerate it either.

Mr. MACEWAN: The Canadian Pacific then has not the proper facilities here in Medicine Hat or in any other areas?

Mr. WAHL: They have moved their express business out of—

Mr. MACEWAN: If they did have trailer trucks, that might be the solution?

Mr. WAHL: It would be a solution, yes.

Mr. BELL (*Saint John-Albert*): May I ask a supplementary? This question is prompted by transportation problems that food processors have in the maritimes. Have you the type of operation that may compel you to give consideration to getting into the trucking business yourself, with your own fleet of trucks?

The CHAIRMAN: This question was already asked, Mr. Bell, by Mr. Reid as to co-ops.

Mr. BELL (*Saint John-Albert*): Mr. Reid's question is not quite what I mean, Mr. Chairman. I am sympathetic to the transportation problem that you have here. We had this in the maritimes, if I might say so, in certain types of specialized fresh fish, lobster, and the like. We are also experiencing it now in frozen foods, frozen vegetables and the like. We are trying to break into the central Canadian market and we have tried in the past in different ways to involve the railways in this and we have run into the same problem that you have. I notice that one of our chief concerns now is getting right into the active fields not on a quantitative basis but with our own trucks which control the movement right through to the market we are after in our own refrigerated trucks. Could it ever come that you would move into this field?

Mr. WAHL: I think this is a real possibility, sir. In the United States, for instance, where there are larger greenhouses and more concentration of greenhouses, some of the larger firms have in fact set up delivery routes much like milk routes and they load their produce into large vans in the morning and take two days going around to a route of customers and discharge their produce. The one that comes to my mind is in the Boston area. I know of a wholesaler there who is doing it. The whole route is only 200 miles all the way around and here in western Canada we are faced with a much different problem. We are faced here with a loop of 2,000 miles, by the time the truck gets back here. As we said earlier, we did look into this and it was just impossible for us to make our own service economical because there was no return traffic for the trucks.

Mr. BELL (*Saint John-Albert*): There is no comparison with the fresh fruit business in the Okanagan for example trying to get into the competitive area with central Canada?

Mr. WAHL: I am sure there is a comparison but I am not familiar enough with whatever solutions they may have developed to their problem that I could speak on this.

Mr. BELL (*Saint John-Albert*): The only point I am making is, how much of this is an over-all transportation problem, freight rates and the like or a particular problem with this committee with its limited reference of the passenger service?

Mr. WAHL: I would think right now it is an over-all transportation problem but how it comes in here really is the fact that we have been pretty

flexible owing to the fact that we have been shipping our flowers by passenger train previously.

Mr. BYRNE: Mr. Wahl, in the last three paragraphs on page 2, you deal with the problems which arose during the period in which your commodities were being moved entirely by the "Canadian".

Mr. WAHL: This was something that developed during the time that—

Mr. BYRNE: How do you anticipate that this difficulty could be overcome under the extreme conditions? What would be the solution there?

I gather that it was the extreme cold that was causing the train to be late and the reason for the commodities being shipped on the "Canadian".

Mr. WAHL: I imagine the immediate solution is going to be that we are going to have to try to negotiate with the CPR to provide better trailers and we are going to have to hope for good weather, and for mild weather throughout the winter. Now that the railroad has set a precedent in this matter of embargoes during severe weather I have no doubt at all they will improve these again if the weather becomes severe. I have no doubt that they will have to switch from the propane heated type trailers. Somewhere in the brief I say that they are handling our flowers now and this, of course, is under today's weather conditions but as soon as the temperature drops to 20 below zero and the stove pipes freeze over on the trailers they will—

Mr. BYRNE: Does the exhaust pipe freeze over or what freezes?

Mr. WAHL: Yes, the opening of the exhaust pipe to the heater. These are no more than a modification of a pot bellied stove. There is one at the front and one at the back of the trailer.

Mr. BYRNE: During the three day or four day embargo the "Canadian" was still running, though late, was it? It was going through Medicine Hat yet you were unable to load your produce?

Mr. WAHL: Exactly.

Mr. BYRNE: What reason was given? The delays were too great or—

Mr. WAHL: The reason that the vice president of the railroad gave us some time after the embargo was placed and removed was that it was a matter of delivery from our greenhouses to the terminal and from the terminal at the other end to the customer. However, we cannot completely accept this, because we have, from time to time, in the last several years taken it on ourselves to deliver the flowers to the terminals and to have customers pick up their flowers at the terminals at the other end. So it is not a matter—they actually refused liability while the produce was on their trains and yet we have this man's letter saying that their facilities are adequately heated at all times and there is never a problem on the trains or the trailers. The paradox is a complete set of contradictions. Basically the reason we are here is that we do not know who to go to now; the CPR provides us with this set of paradoxical letters that we cannot shuffle our way through and we do not know where to appeal to try to get through the maze of restrictions and contradictions.

Mr. BYRNE: You do accept the fact that the "Dominion" is something for the past, for history and you also accepted the fact that using what we call

front end equipment to its maximum to provide the services that would be required to the prairie region would downgrade the "Canadian" to such an extent that they would probably lose more passengers, so that there must be an alternative service. Could you use an air line service year round, every day of every week?

Mr. WALL: We were using Trans-Canada Air Lines.

Mr. BYRNE: What would be the minimum distance?

Mr. WAHL: We were shipping Calgary, Saskatoon and Winnipeg by air.

Mr. BYRNE: Vicount equipment could handle your maximum shipment at Christmas time?

Mr. WAHL: I do not believe they could handle the pre-holiday volume on an air line. However, I think that regardless of how we condemn the CPR they will probably still be willing to accept these bulk shipments during holidays and provide—at least we hope they will—adequate trailers for these. It is a problem of 52 weeks a year shipments that are providing the most difficulty and the air line there was able to—at the time they were running here—carry this load.

Mr. BYRNE: You said you lost considerable markets owing to the fact you lost the airline service. Do you expect to recoup that if you had air line service to Medicine Hat?

Mr. WAHL: Most certainly.

Mr. OLSON: Mr. Chairman, I would like to refer Mr. Wahl to page 3 of his brief and to ask a question to preface the other questions that I think have been partially touched on before. Did you ever have a service on the CPR that was adequate for your requirements on a 52 week basis?

Mr. WAHL: Yes, I think it would be safe to say that we did have.

Mr. OLSON: Was this service provided to you when you had the front end traffic on the "Dominion"?

Mr. WAHL: This was the only time, I think, that this service was completely adequate.

Mr. OLSON: Was there any time when the "Dominion" was running when you had a complete embargo placed on it? Well, let me put the question this way: Was there a problem? Did it happen frequently? Did it happen every year, or once or twice?

Mr. WAHL: In talking to my colleagues about this in preparation of our brief we finally agreed that we could remember only the two embargoes in the two past winters, these are the only embargoes we could remember in the history of flower shipping out of Medicine Hat; that is, complete embargoes. From time to time there have always been little local restrictions like, Swift Current is frozen up today and you cannot ship today, but never a complete embargo on everything moving east out of the province.

Mr. OLSON: Mr. Chairman, I would like to explore this matter of this embargo just a little so that we completely understand the degrees of embargo. You say in the middle of the page—I think it is in the fourth paragraph

—that there would be no carrier liability while en route. Now just what does carrier liability mean; that they would accept the flowers but they would not be responsible for them?

Mr. WAHL: Exactly; for the brief period January 1 and February 1, they apparently changed their mind and decided that they would carry the flowers but would not be responsible for them. This of course, was unacceptable to the greenhouses. We could not give them our flowers and allow them to throw them in to a full trailer, with a load of iron and have us take the liability for it. It was just about the same thing as saying, we will not carry them at all.

Mr. OLSON: You did not ship them?

Mr. WAHL: We did not ship under these conditions, at least our operation in Redcliff did not ship under these conditions. We switched our material down to Greyhound for those two days.

Mr. OLSON: And it would be fair to say that when they refused liability as far as you were concerned it amounted to a complete embargo?

Mr. WAHL: Same thing.

Mr. OLSON: Mr. Wahl, in the discussion that has taken place I am very interested in what Mr. Byrne asked you. Do you think that if they provided sufficient time at the terminal stops of the "Canadian" for both landing and unloading all of your products that they could, in fact maintain this as a Class 1 passenger train.

Mr. WAHL: I think, Mr. Olson, that it is probably out of my field, but my personal opinion of this would be if the "Canadian" is slowed in Medicine Hat, is kept in Medicine Hat for 15 minutes instead of eight then it should probably be kept in Regina and Winnipeg and other centres for longer periods of time than it is now being kept, and I can only see this as slowing the train up completely across the country. This, I think would completely ruin the name that they have tried to build for the train as a crack transcontinental fast service.

Mr. OLSON: Just one other question. Have you ever had any discussions or negotiations with the Canadian Pacific Railway for package loading so that they could do this transfer onto the trains and off the trains more quickly?

Mr. WAHL: No I am afraid we have not.

Mr. OLSON: Mr. Wahl, what happens then if you expect and I think you said you can reasonably expect these embargoes or partial embargoes to be imposed every time the temperature falls down—what does this do to your planning insofar as having flowers ready for these periods is concerned?

Mr. WAHL: The flowers have to be cut, of course, whether we ship them or not when ready and they are left sitting either in our refrigerated areas that you saw at the Medicine Hat greenhouses or ready packaged on the floor, ready to be moved out for shipment and after two days for roses, for instance, they are moved from there to the garbage. They become useless. Chrysanthemums and carnations we can store for a week but there is no point in storing a hundred thousand dollars worth of chrysanthemums to the day after Christmas, because there just is no market for them the day after Christmas.

Mr. OLSON: What happens to this market when you are unable to ship? I am talking about your customers now. Where do they get their supplies from when your shipments are, well for want of a better expression, deficit to their orders?

Mr. WAHL: They are partially filled by American imports. As was said earlier, Los Angeles, Denver and so on export American flowers into Canada and these orders are partially filled by imports.

Mr. OLSON: Have you experienced any difficulty in recapturing this market when you lose it for days or weeks or whatever period the embargo may have been on?

Mr. WAHL: We have in fact with respect to a particular crop, carnations, we have been some four years recovering from the loss of the carnation market in this area. Denver, Colorado has become world famous for carnations and has had overnight service into any city in western Canada and we have suffered quite a loss of markets as a result of this and we have just begun to recover that.

Mr. OLSON: Thank you Mr. Chairman.

Mr. SHERMAN: Could I ask a supplementary question Mr. Chairman. Mr. Wahl, with respect to Denver's carnation crop—they now have established overnight service into any city in western Canada. How do they do that. They could fly into Winnipeg or Calgary but then would they not be faced with the same shipping problems out of Winnipeg and Calgary as you are?

Mr. WAHL: When I say any city, I apologize. I do not mean the major cities, the cities that have air services. I think it is probably safe to say, in fact, there are only two cities in Alberta that do not have air service—Medicine Hat and Red Deer—so the other cities are serviced by air and the other cities get this fast service.

Mr. CARTER: Mr. Wahl, you talk about this air service; your problem was aggravated when this air service was discontinued, I gather, when the milk run was taken off. What was your pattern of shipments prior to that; how was the shipment divided by air and rail—fifty fifty?

Mr. WAHL: I do not have data for any of the other growers in our group except for my own place and at our place, the Redcliff greenhouses, we ship approximately 25 per cent of our output by air. It went almost entirely to Saskatoon because of the poor rail connections for Saskatoon.

Mr. CARTER: Would it be a reasonable assumption that that would apply more or less to the other growers?

Mr. WAHL: The market situation is a peculiar one where a particular greenhouse can go into an area and do a good job of selling perhaps and capture more of a particular market and I think it is safe to say that, we in Redcliff, had more of the Saskatoon market than any other shipper in this area so there may not have been as high a percentage of others shipping to Saskatoon.

Mr. CARTER: The air service then, was mainly related to the Saskatoon market, is that right?

Mr. WAHL: For our particular operation it was, yes.

Mr. CARTER: We have heard a lot of evidence that the problem applies to passengers and it applies to your problem, too; we have heard about the lateness of trains; the "Canadian" for instance, arrives three or four or six hours late and apparently that is pretty general. Did that apply also when the "Dominion" was running; were the trains as late then in those days?

Mr. WAHL: I don't recall it ever being so severe when the "Dominion" was running. Now I do not have statistics compiled for this, but it seems to me that when the CPR was faced with slides in the mountains, for instance, and trains could not get through I think they somehow originated a train in Calgary to replace a train that could not come through and it left on time or as nearly on time as it could and came the rest of the way through taking our produce and Medicine Hat passengers east, I am not positive of this, but it runs through my mind that schedules were a lot better and kept a lot better during the time when there were two trains on.

Mr. CARTER: I think you say somewhere in the brief something to the effect that you are now filling about 25 per cent of the Canadian market.

Mr. WAHL: This again is an estimate based on the information supplied to us by wholesalers in Calgary, Edmonton and Vancouver who are doing the actual importing of flowers. They again do not want to tell us their exact dollar volume of imports. The census people do have some information on this, but it is not as up to date and not as reliable as it could be.

Mr. CARTER: What would be the limit of your market geographically?

Mr. WAHL: Vancouver on the west to Port William on the east.

Mr. CARTER: It is that area you are talking about when you say you could expand your supply to that market if the transportations were better. What room is there for expansion?

Mr. WAHL: I am enough of a Canadian to hope that some day we will be able to produce Canada's entire needs from our own production. Just the same I hope as anyone else would hope that Canada could become self sufficient in most matters of import.

Mr. CARTER: But that is impossible unless something is done about the transportation?

Mr. WAHL: Surely.

The CHAIRMAN: Mr. Wahl, I want to thank you for your presentation on behalf of the Medicine Hat florists and growers and also for the tour that was given to this Committee at the Medicine Hat Greenhouses Limited this morning which was very informative and acclimatized us to the problems that you put forth here today. Although we are a little flexible in our terms of reference here, we do want to thank you for presenting your brief on behalf of the florists and growers and acquainting us with the problem.

I understand there is no representative here from Brooks or Bow Island. We are ready to take first the brief of the Medicine Hat Liberal Association and then, the Medicine Hat and District Labour Council brief which will take more time, I think, so that we can take care of the President, Mr. Medhurst. Mr. D. H. Medhurst, President of the Medicine Hat Liberal Association.

● (2.45 p.m.)

Mr. D. H. MEDHURST (*President, Medicine Hat Liberal Association*): Thank you, Mr. Chairman and members of the Parliamentary Committee, much of our brief which has been handed to you is perhaps redundant and material which you have already heard and for that I would ask your indulgence. The purpose mainly—of my appearance here today is to support the submissions that have been made to you and that have already been made and will be made to the effect that we feel in this area that there is a great need for a continuation of a modern form of train service. The brief that I have handed out states that we are particularly concerned in the hearing here today with the needs of Medicine Hat which we feel are similar to those of other areas in the western part of Canada. Our association suggests that one federal transportation commission be established to co-ordinate all forms of transportation with the object of ensuring that so far as practical all areas are guaranteed modern transportation facilities. This commission would co-ordinate the control over air service, passenger and freight train service and trucking and bus service and in support of this submission we suggest as follows:

1. Railway passenger service is only one aspect of transportation generally and it should be considered along with other facilities of air, bus, rail and water.

2. At the present time alternate services are considered by your Board in dealing with a particular form of transportation even though that Board does not have jurisdiction over the alternate service. For example as you have already heard this morning the Air Transport Board allowed Air Canada to discontinue air service to Medicine Hat at a time when the CPR was providing good rail service at low rates. When the air service ceased the passenger railway service was downgraded and the rates as you have also heard were substantially increased. It is our thought that if such a commission were established that when a change in the transportation pattern was being considered that one general form of commission as you might call it be empowered to have hearing and that all forms of transportation be represented at those hearings so that before some form of transportation is discontinued we may hear that an alternate type of service is made available by the other services so that before the discontinuance, the community be ensured that there will be an alternate service provided to them.

3. We also submit that a national railway passenger service is a necessity in meeting the social and economic needs of western Canada and Medicine Hat in particular. It would be disastrous to the growth of our part of the country if the CPR was permitted to downgrade the service to the extent that it could point to lack of us as a reason for cancelling the service. We believe the public good demands that railway passenger service be continued and that the public good should take precedence over private profit. Transportation serves and affects the national interest as you are all aware and has a bearing on the continued growth particularly of western Canada.

4. It is further submitted that many people do not agree with the findings of the report of the MacPherson Royal Commission. The railway is a utility

and the principle of allowing the rates of a utility to be determined by competition has been abandoned we believe in most modern countries. Canada is a growing country and this growth requires that passenger service be continued with modern efficient service. The CPR has stated that the "Canadian" would be continued for some years to come even at a loss. This is sometimes difficult to believe because the CPR has also stated that passenger service would only be provided where there is effective demand. It is obvious that the CPR desires to discontinue all passenger service and from its pessimistic statements it is only a matter of time before it will be making application to discontinue this Canadian type of service which as we believe been downgraded from its previous high standard.

5. We further submit that there is a need for a comprehensive analysis of all transportation handling and storage facilities that are involved in the moving and distribution of Canadian resources to inland and overseas customers. Decisions should then be made by Parliament on the best ways of meeting these needs.

6. The Association suggests that the experience with the western grain crop last year illustrates the need for more transportation facilities rather than less. Our country will grow and railway passenger service is necessary for that growth.

7. Railway passenger service is also required in times of disaster and we do not believe that we have yet reached the age when this type of transportation is outdated.

8. Further many large cities have alternate forms of transportation which might meet their needs in the event of a discontinuance of trains, but this does not assist those large parts of Canada and western Canada particularly comprising the farm areas and cities like Medicine Hat. Our economy requires the continuation of freight rail service and passenger rail service.

9. Finally, it is submitted that if the CPR does not agree that a national railway passenger service is needed and we are going by some of the statements that have been made in this regard then we would suggest that negotiations by undertaken for ways to enable an alternate company, perhaps the CNR to lease the track to produce something to provide this service which we feel is necessary. Unfortunately I am not able to assist in the form of recommendations too much to help you find the answers you are looking for, but I would hope that the gentlemen in your wisdom would find some solution which would mean that railway passenger service as we now know it would be continued. Thank you.

Mr. O'KEEFE: Mr. Chairman, do you suggest that the Canadian Pacific Railway could be nationalized?

Mr. MEDHURST: No I did not mean that. I meant that I would hope that whatever solution is found that it would mean that a modern form of rail transportation be continued. I would hope that it be made clear to the Canadian Pacific Railway that this type of service be continued.

Mr. O'KEEFE: In paragraph 5 on page 2, you suggest that decisions should then be made by Parliament on the best ways of meeting them, under the democracy. How can a Parliament make such decisions which so affect private enterprise.

Mr. MEDHURST: I am sorry, I did not understand your question.

Mr. O'KEEFE: In paragraph 5, page 2, you say, "We further submit that there is a need for a comprehensive analysis of all transportation handling and storage facilities. We further submit that there is a need for a comprehensive analysis of all transportation handling and storage facilities that are involved in the moving and distribution of Canadian resources to inland and to overseas customers. Decisions should then be made by Parliament on the best ways of meeting this" and how do you suggest Parliament should make those decisions in a democracy?

Mr. MEDHURST: Well, transportation we feel is something which is in the national interest and we feel that Parliament has the responsibility of seeing that the needs are met if they are not made available by private means and we believe that Parliament has the responsibility to meet the needs in some form. I am not able to give you the answer or the solutions. I just hope that the national interests would be served through parliamentary committees and Parliament.

Mr. O'KEEFE: Would you suggest that Parliament should make decisions in connection with bus lines or other means of transportation? Do you think that they should be privately owned as the CPR apparently is?

Mr. MEDHURST: I would suggest that the overall transportation picture be considered as a national interest and that bus lines be taken into consideration. I am not suggesting that they be controlled or be told what to do in any way, but that the over-all transportation picture be looked into by committees at one time.

● (2.55 p.m.)

Mr. REID: On page 1, paragraph 2, you speak of alternate services to be considered by the proposed board. As a matter of interest, could you tell me if the services now provided by the air line which operates out of here and the CPR are co-ordinated with the trunk line services say of Air Canada. In other words, if you leave here in the morning can you be guaranteed of making connections to fly east or west. Is a co-ordination of the transportation service available to you here, in Medicine Hat?

Mr. MEDHURST: I am not too familiar with the form of co-ordination that is in effect at the present time, but if you are talking about meeting schedules in Calgary and places like that, I would imagine that there would be as closely as possible.

Mr. REID: I asked that question because I received several complaints from the people who have spoken to me that it is almost impossible to get co-ordinated schedules out of Medicine Hat. Is that right Mr. Olson?

Mr. OLSON: Yes, that is right.

Mr. REID: My last question Mr. Chairman is to Mr. Medhurst. In paragraph 4, you make the statement that a railway is a utility. This has really

profound implications, because it means that Parliament should be able to direct its activities possibly through this board that you suggest should be established. Would you accept that definition?

Mr. MEDHURST: Well, I would hope it would not be necessary to direct its activities; that some form of agreement can be made with it so that it will fulfill its obligations or what we feel would be the obligations to the national interest in providing the service.

Mr. OLSON: Just one question Mr. Medhurst; in your final paragraph 9, you say that the CPR does not agree that national railway passenger service is needed and that if it does not provide such service in an efficient and modern manner, then consideration should be given to negotiations for ways to enable the CNR to lease the tracks to provide such required service. Now, I would like to ask you if you are suggesting that this be done all over Canada or only in certain areas or for specified services.

Mr. MEDHURST: Well, once again this is merely just a kind of a loose thought. It perhaps has not been too carefully considered, but our main thought in stating this is that we feel that the type of service that is now being provided by the Canadian particularly should be continued and if the CPR is reluctant to continue that then some other way is going to have to be found to continue it. This is perhaps maybe one way of saying—well, if the CPR does not want to do it then maybe the CNR could, but as I say, this is not too well thought out and is just merely a thought as to who else would do it if the CPR does not.

Mr. OLSON: I see well what I had in mind was whether or not you were advocating this as a general policy for all Canada, that the CNR get into the railway passenger business or all railways in Canada where it is required or if this suggestion was made to support in some way the suggestion that was made that an additional service, day liner service, for example, from Winnipeg to Calgary be set up and that if the CPR were not willing, then someone else and you named the CNR would be the one to do it.

Mr. MEDHURST: Yes, that is something I think should be considered yes. Just for a particular area—I mean all I am talking about is the area in Medicine Hat say from Winnipeg to Calgary.

Mr. OLSON: Well, then you are not advocating the CNR take over all passenger service in the country?

Mr. MEDHURST: No, not specifically no.

Mr. SHERMAN: Mr. Medhurst just two questions. One, do you advocate resurrection of the "Dominion" passenger service.

Mr. MEDHURST: From a local point of view I don't think there would be any crying demand for a resurrection of the "Dominion". I think that the "Canadian", if properly run, could properly serve our purposes.

Mr. SHERMAN: Well, that answers my second question at the same time, but I will ask it any way just for the record. In paragraph 3, on page one you say that a national railway passenger service is a necessity in meeting social and economic needs in western Canada. Do you feel that if the Canadian is properly maintained and is not downgraded but continues to exist at the level

at which it is operated now and service on it is maintained at the level at which it is delivered to the people of western Canada now, that this would constitute a national railway passenger service that you feel is necessary and adequate to western Canada?

Mr. MEDHURST: I believe, sir, that it would be adequate from Medicine Hat and districts' point of view.

Mr. SHERMAN: Thank you, Mr. Medhurst.

● (3.00 p.m.)

Mr. FAWCETT: I am just interested in the third paragraph. I understand then Mr. Medhurst that the federal transportation commission would be established to co-ordinate all forms of transportation, that this would not necessarily mean that railways, for instance, would be forced to continue operating trains that were not paying and that sort of thing. Would it be your opinion that with proper co-ordination, proper transportation facilities could be provided under an over-all authority, so that perhaps all of these different types of transportation could be profitable enterprises. Would this be your opinion?

Mr. MEDHURST: We would hope that that would be possible, yes.

Mr. FAWCETT: That would be actually what you are aiming at with the federal transportation commission?

Mr. MEDHURST: Yes, sir.

Mr. FAWCETT: Thank you.

The CHAIRMAN: Mr. Medhurst, I want to thank you on behalf of the Committee for making this presentation to us and although you have outlined a number of things, there are some problems that do touch us very firmly.

Mr. MEDHURST: Thank you very much.

Mr. BELL (*Saint John-Albert*): One of an opposite political persuasion is the last witness. I really would like to say seriously that I think it is a very good thing that political groups of this nature are taking part in putting their thoughts forward. One can write a a lot of reasons why they are using this method than others to get their thoughts forward, but I do think generally that it is very worth while and I hope we have more of this type of thing.

The CHAIRMAN: They have to take responsibility Mr. Bell. I think it is a good point that you brought up, but we have another brief coming forward in Port Arthur of your own persuasion, so that is very good.

We have a final brief now on behalf of the Medicine Hat and District Labour Council. Would the delegates please come up.

The brief was late today, and there were five presentations made to us by the Medicine Hat Downtown Kiwanis Club. I was saying to the gentlemen of the CPR that are here, that I thought perhaps they might be able to make better use of this veiner liner than we have had, and maybe pull us to Moose Jaw tonight.

We have gentlemen before us, Mr. J. R. Driscoll, President of the Medicine Hat and District Labour Council, and he will be presenting the brief to us. Mr. Driscoll please raise your voice a bit here, and speak directly into that mike.

Mr. J. R. DRISCOLL (*President, Medicine Hat and District Labour Council*): First of all, Mr. Chairman, I would like to correct an error in paragraph 4, first line, that should read "CNR".

The CHAIRMAN: I would ask if the Vice-Chairman could come up and take over for a few minutes.

Mr. DRISCOLL: Mr. Chairman, gentlemen, brief of the Medicine Hat and District Labor Council to the House of Commons Standing Committee on Transport and Communication reads.

The Medicine Hat & District Labour Council represents about 25 Local Unions, with an affiliated membership of about 3,300 people. These people live and work in the immediate area of Medicine Hat and Redcliff and because of their geographic location their interest and concern in this matter is very keen.

We have noted that the CPR asked for and got the suspension of the services of the Dominion in order that 25 or 30 Diesel Units could be free to haul grain. Why is it then that many of the elevator points still have no more than a 4 bushel quota, reason for this is that they are not supplied with boxcars for the movement of their grain.

Let us take one step further, and again assume that Diesels and Freight cars are readily available to haul grain. What has induced the CPR all of sudden to make grain hauling such a prime target? Up to now, all we have heard from the CPR is the ridiculousness of the rates for grain established under the Crow's Nest Pass Agreement, and how much money the CPR was losing in hauling grain. Is it not so, that almost invariably grain is dropped if there is a reduction made on a freight train because it is not as remunerative as other commercial products.

If the CNR can operate two trains each way every day through Northern areas of each province, particularly in the Western provinces where the population is more sparse than in the Southern areas, and provide efficient service, we cannot agree that, if the CPR were earnestly trying to provide good service, one train could be sufficient. It occurs to us that another one of the things your Board should consider, is the effect the loss of the Dominion will make on our tourist industry. It is now estimated that tourism ranks fourth in importance in Canada as an industry. We can sight one pretty good instance when train service is bound to have a very real effect on the success or failure of Banff, Alberta as an all-year-round resort.

If it is expected that Banff will ever be chosen as the site of the winter Olympics, and hence becomes known world wide as a Winter and Summer playground, it is reasonable to expect that thousands of people will come to take in its beauty. Many of these people will come from other lands and will want to see Canada and what better way to see it than by Train Transportation? One thing is sure—they cannot travel by train if the trains are not running.

May we suggest to the Committee that they satisfy themselves that the Tourist Industry will not be hurt because the Dominion has been removed.

Mr. Chairman, and Gentlemen, we cannot help but feel that the CPR has lost interest in providing a railway passenger service for the people of Canada. We are not here to argue that the CPR is losing money on the transcontinental run. It may well be that it is. It is also well established that the CPR in days gone by—and not very many days at that—made huge sums of money out of passenger railway service. We speak of the high revenue producing days of the Second World War and prior to that. But as soon as the CPR finds itself losing money on either freight or passenger service, its immediate reaction is to: (a) apply for a subsidy, or (b) discontinue the service. Having noted that this course has been followed on a number of occasions this Medicine Hat & District Labour Council has now come to the conclusion that the Canadian Pacific Corporation should now be operated in the public interest by a Corporation owned and controlled by the people of Canada through a Government agency. We come to this conclusion, based on the fact that public funds were used in a large measure to establish the CPR in the first place. Out of passenger and freight line profits the CPR has built a vast corporation, including Hotels, Steamships, Airlines, and a number of subsidiary Companies. All of this was made possible out of the use of public funds, land grants, and all the resources that have accrued therefrom. But what now do we find? In spite of the tremendous success enjoyed by the CPR we find them now not willing to provide a service which we consider as vital to the wellbeing of Albertans and Canadians. The CPR has lost sight of its moral responsibility to provide reasonable and adequate passenger service, and please let us not consider that one transcontinental train is adequate for southern Alberta, when one considers the distances involved. There may even be pretty positive legal reasons why the CPR should continue the Service, but we leave that matter to you gentlemen, who have been and are much closer to the situation than we are. We do feel, however, that the Committee should seriously consider whether the C.P.R. is living up to all its obligations to Canada, and if it is found it is not, then we recommend the Committee should seek ways and means of turning over the ENTIRE CPR Corporation to be operated by the Government on behalf of the people.

In summary we have suggested the Committee satisfy itself that:

1. The number of Diesels, which the CPR had claimed could be taken off the Dominion, are being used to haul grain.
2. Now that Diesels are made available, are there enough box cars ready to haul grain?
3. If Diesels and Cars are now available, are they being used for hauling grain, or to haul some other more remunerative product?
4. Can the facilities at the Lakehead and Vancouver actually handle efficiently any more grain?
5. Has the CPR discouraged people from riding transcontinental passenger trains?
6. Now that the Dominion is dropped, what effect will this have on the Tourist Industry?

7. What effect will this have on the employees, who were directly or indirectly engaged in the operation of the Dominion?

8. Is the CPR living up to its responsibility to provide Transcontinental passenger service?

9. Should the CPR be turned over to the Government to operate for the people of Canada?

We appreciate very much this opportunity to appear before you.

Mr. FAWCETT: Well, I just want to ask a further question being a CNR man. In paragraph 4, you say the CNR operates three trains each way now and commencing in June will be operating four transcontinental trains as far as Capreol.

Mr. BOULANGER: We did not hear a word.

Mr. FAWCETT: All right, I will start again. I would like to make a further correction. This is all I have in mind, a further correction in paragraph 4 in connection with the CNR. They say that the CNR operate three trains each way every day to the northern areas of each province, and from June to September will be operating four trains over the greater portion of Canada, each way until September. I should say, that will be terminated in September and they will be back to three again. I have no questions, Mr. Chairman.

Mr. BOULANGER: Let me commend you for your brief. You are definitely firm about it and the interesting part of it as far as I am concerned is—I touched on it this morning when I asked the member of the Chamber of Commerce about the importance of the tourist industry which you admit in this region is a major one, but in the argument in paragraph 5 you say, "if it is expected that Banff will ever be chosen." Now, we know that it is pretty well done now for a few years to come. Could you have not taken the occasion to mention that all Canadians should be talking about it all across the country. I think you lost a very good occasion to mention it. In any case, my question is this: you definitely seem to prefer the nationalization of the CPR train service judging by the way you put it in your report. Is that exactly what you mean?

Mr. DRISCOLL: That is right.

Mr. BOULANGER: And then, one more. Has the CPR discouraged people from riding transcontinental passenger trains? Let me ask you that question. This is what we are here for, to find out. Do you really think, from what you have heard, what you have seen and what you have read, that that is what they did?

Mr. DRISCOLL: In reply to your question, I certainly believe in certain instances they have. You would apply for a reservation on a train, you would get one. Somebody else on the train would have the same reservation between here and Calgary. Or they might tell you that there are no reservations available, and you get on the train, and the train would be only half full. Why would they quote those figures.

MR. BOULANGER: Then you ask, "now that the "Dominion" is dropped, what effect will this have on the tourist industry"? What effect will it have in this western part of the country, and especially on Medicine Hat—I could not get a very clear answer this morning. What effect do you think it will have? I will not ask you about the west coast, but I mean in the particular region of yours: what effect do you think it will have on tourists? If we go according to some information we had so far that, around here especially, many people do not even really bother to travel by train. What effect do you think it will have?

MR. DRISCOLL: Referring to your tourist industry, just the other day I was talking to a Greyhound bus driver and I will quote his words. He said: "Anybody wishing to go this summer, they are smart if they take their own car, because they will never be able to handle the service without the two trains on". That is what the driver quoted.

THE VICE-CHAIRMAN: Does that answer your question.

MR. BOULANGER: Thank you, sir.

MR. BYRNE: Merci beaucoup. Mr. Driscoll, in your summary you have nine suggestions; they are pretty well outlined in our terms of reference except perhaps Section 9. I do not think we were asked to consider whether CPR should be turned over to the government to operate for the people of Canada, but essentially all of these other matters are matters certainly of real interest to this committee. In your second paragraph on page 1, you mention the CPR has contended that the Crowsnest rates were ridiculous, or you say the ridiculousness of the rates for grain established under the Crowsnest pass agreement. Have you any conception actually of what the rate is on the Crowsnest agreement for grain as compared to what it is in the United States.

MR. DRISCOLL: No, not compared to what it is in the United States.

MR. BYRNE: On page 2, you say that as soon as the CPR finds itself losing money on either freight or passenger service, its immediate reaction is to:—To what do you attribute the fact that are losing money, say in passenger service?

MR. DRISCOLL: In referring to this, that they are losing money, they quote it every year, and then they apply for a subsidy.

MR. BYRNE: To what do you attribute the fact that they are losing money. They made money during the second world war in passenger service, but at the moment—now.

MR. DRISCOLL: My understanding is they quote it when they have applied for a subsidy.

MR. BYRNE: The reason they are losing money. Why are they losing money now on the passenger service?

MR. DRISCOLL: I think the CPR is the only one that could answer that question because I do not really believe they are losing it.

MR. BYRNE: Now they made money during the war. Were the rates higher during the war or what is the reason for it. Was it not that they were using all of their equipment to the full capacity?

Mr. DRISCOLL: Your CNR rate from Edmonton to Vancouver I believe, is about \$10.00 less than your CPR rate from Medicine Hat to Vancouver, which is approximately the same distance.

Mr. BYRNE: We have been told during the hearings of this Committee that the CNR would be losing something like \$40 million this year in passenger service, so it must be that if they are losing money, in fact they are losing money, that the demand is not there. That is people are not riding; there are not sufficient people riding on the train and paying the fares. Is that not a logical—

Mr. DRISCOLL: Well, I think the volume of the people has dropped a lot because of the service they give.

Mr. REID: Just to continue on that line of argument, Mr. Driscoll, I recall when the CPR made its original submission to this committee, they said that even if they were running the "Canadian" at a 100 per cent capacity, and a row of seats on top of each car, they still could not make it a break-even operation. Is it possible in your mind that railway service is not practically a profitable or even break-even operation.

Mr. DRISCOLL: In replying to that, while there are statistics on it, I would not know, and that is one reason why we stated that our Government should take over the CPR if the CPR feels that they are losing money.

Mr. REID: Who is to pay for this service, the passenger, or the people of Canada through general taxation?

Mr. DRISCOLL: If the CPR could run the railway and get the money—raise their rates enough to operate that way, well then it would be the passenger; if not, would be the people of Canada.

Mr. REID: The experience of the CP and CN has demonstrated in this case—in this case, the CN has demonstrated that there is a market for passenger service at a cost which apparently we did not go into the CNR as yet, but we will be getting there, at a cost which apparently is not enough to cover the cost of providing this service. The CP has taken the other action. They have raised their fares, which is one of the complaints we have been hearing and this again has discouraged people from using this service, and so you have examples at both ends of the scales where you are losing each way you try it, so then the only alternative then is for the railroad to go to the Government for a general subsidy for passenger service.

Mr. DRISCOLL: They are getting it out of the people when they get a subsidy anyhow.

Mr. REID: This, in effect, is what you are advocating. Now, the second question. Do you really think that if we nationalized the CPR that this would improve passenger service to places like Medicine Hat.

Mr. DRISCOLL: I truly believe that it would if we had two trains running in our immediate area, not the same as our "Dominion" and "Canadian" were, both night trains going one way, I would say a morning train going one way and a morning train going the other way.

Mr. REID: This is the situation that you had with respect, when the "Dominion" was running and yet the CPR tells us and they produced figures

to prove it that when this train, the "Dominion," was operating at full consist in other words, the bits equivalent to the "Canadian" equipment, it was a money loser. The people were not utilizing it in order to make it even a break even operation and that they did give it a try for five years, and this failed. In other words, they made the experiment you are suggesting they make and it failed, and it cost them a pretty penny to do so.

Mr. DRISCOLL: The CPR might have stated this but why was it sometimes you would phone down—my wife went for six weeks to Calgary for cobalt treatment and she'd phone down and they'd say there was not reservation. She would get on that train and it wouldn't be half full.

Mr. REID: We have heard that before and we have had our difficulties with that argument.

Mr. DRISCOLL: She went back and forth for six weeks straight and that happened to her.

Mr. REID: To go on to another line of questioning, Mr. Driscoll, on page 2 paragraph 1, you make the statement, and I quote: "It is also well established that the CPR in days gone by and not very many days at that—made huge sums of money out of passenger railway service." Now, when did the CPR make money—great sums of money—out of its passenger service outside of the war years which were exceptional years and when people were forced into using this service?

Mr. DRISCOLL: During the war years, they made good and just after the war years they made good.

Mr. REID: Why?

Mr. DRISCOLL: People were using their trains. They were providing service that was—

Mr. REID: Why were they using the service? Was there any other method of moving around the country at that time, after the war years?

Mr. DRISCOLL: I will admit that our bus transportation was not as large as it is now and neither was our air.

Mr. REID: What about automobiles at that time?

Mr. DRISCOLL: There were not as many cars.

Mr. REID: In other words, with the growth of alternative methods of transportation, the share of the CPR's passenger percentage has declined to a point where the service is no longer a viable one.

Mr. DRISCOLL: To a certain extent of your people, I would agree. But we have a lot of people that do not like to drive their cars on the highway.

Mr. REID: There are a lot of those. I agree with you. I think that is all. Mr. Chairman.

Mr. O'KEEFE: Mr. Chairman, in connection with this problem of nationalization, I believe in answer to a question by Mr. Boulanger, you stated, and thought rather categorically, that you were in favour of nationalization and believe you also suggested that you made the same reply to Mr. Reid or word to the effect that you were in favour of nationalization. But your brief doc

not go quite that far; there is a qualification there, do you not think? At the end of paragraph 2 on page 2, and I quote: "We do feel, however, that the Committee should seriously consider whether the CPR is living up to all its obligations to Canada," and this is a qualifying phrase, Mr. Driscoll; "and if it is found that it is not, then we recommend that the Committee should seek ways and means of turning over the entire Corporation to be operated by the government". I suggest your brief does not go quite as far as you do; and also on page 3, item No. 9 you simply ask the question, or the brief does, "Should the CPR be turned over to the government to operate for the people of Canada?" You ask a question, and you go further than your brief.

Mr. DRISCOLL: Yes, personally I did.

Mr. O'KEEFE: Thank you, sir.

The CHAIRMAN: Do you have a supplementary?

Mr. SHERMAN: Mr. Driscoll, you have suggested that the people of Canada as such should pay for the maintenance of an efficient passenger transportation service over the lines of the Canadian Pacific railway. But would you not subscribe to the view that the CPR has an obligation, moral and legal, to forever efficiently maintain and run under the terms of its 1880 contract with the government an efficient passenger transportation service and that it devolves upon the CPR to maintain this service and to support it and subsidize it as best it can out of the profits it makes as a corporation engaged in a great many other enterprises besides rail transportation. Why do you take the view that the people of Canada should support and subsidize the CPR.

Mr. DRISCOLL: If in your previous agreement in the eighteenth century the CPR is obligated to live up to transportation in our country, why are they not compelled to?

The CHAIRMAN: That is a legal argument right now that we are encountering, Mr. Driscoll.

Mr. SHERMAN: Well, I assume that the Medicine Hat and District Labour Council feel then that the CPR cannot be forced to live up to this agreement of 1880. You are saying that the people of Canada and the government of Canada, have no legal grounds on which to press this argument, and the CPR cannot be forced to live up to that contract and to maintain that service and therefore the people of Canada should either subsidize the CPR or take it over altogether and pay for it as taxpayers.

Mr. DRISCOLL: No. I do not honestly know whether we have the legal grounds—our government of Canada has the legal grounds to force the CPR to give us better transportation or not.

Mr. SHERMAN: Would the Medicine Hat and District Labour Council not be interested in pursuing that avenue—in exploring that possibility first before committing the Canadian people to subsidize the CPR?

(3.30 p.m.)

Mr. DRISCOLL: No, as I stated before, I believe they were obligated by law and government should have compelled them to give it, and it should not be up to the Medicine Hat Labour Council to follow it through.

Mr. BOULANGER: That was part of what I was going to ask, but let me ask you, Mr. Driscoll, because in my mind it is not clear, a straight question since you are a straight answering type of man. I think you have been sitting here all morning with us, am I right to say that—do you not find it curious that your brief states definitely the importance of having kept the "Dominion" train, while compared to the opinion of others that we got indicating that people did not seem to worry so much about specifically the passenger problem. Could you tell me what is the difference between your attitude right now and that of the others.

Mr. DRISCOLL: Certainly, sir. I think our brief is representing the labour force in Medicine Hat. We have lots of them who are without cars. Where your previous briefs that have been presented have been industry or the city itself or big business men and they all have their own transportation, where as our group has a certain element of people that do not have the transportation; low wage earners and that.

Mr. BOULANGER: Well, that is a very good answer and I am glad to hear you answer that way.

Mr. ANDRAS: Mr. Chairman, just one point I think. I would be remiss if the member from the lakehead let No. 4 question on page 2 go by without comment. Let me assure you, Mr. Driscoll, and for the record, that the facilities at the Lakehead for handling grain measured up to requirements in the past and I am quite sure that they will measure up to handling them in the future.

The CHAIRMAN: I hope you are finished, Mr. Andras, because although it is in the brief, I think the members know the situation as far as grain is concerned. You need not comment, Mr. Driscoll.

Mr. OLSON: Mr. Driscoll, I want to commend you for raising a number of questions, I think nine in total, that you have directed to the committee to examine and satisfy themselves as to the answers before they decide on what recommendations that should come forward from this Committee. I think they are pertinent questions except perhaps the ones that shade a little over into grain, which may be beyond our terms of reference, but I am particularly interested in your opinion and the opinion of the groups that you represent in trying to find some answers to the questions that you have raised. For example, question No. 7, you ask what effect will this have on the employees who are directly or indirectly engaged in the operation of the "Dominion".

Could you tell us how much effect is had on employees in Medicine Hat when it was discontinued?

Mr. DRISCOLL: No, at the present time these employees have been most of them absorbed in the movement of grain. We had a large order from Russia and that as soon as this order is completed these employees are automatically off. There is no "Dominion" going back on or they would be back on their jobs.

Mr. OLSON: Do you believe that there is an unusually large payroll number of employees on the CPR out of Medicine Hat now because of this specific grain movement? Perhaps all their business would maintain the employment into the future.

Mr. DRISCOLL: Well, it is possible that it could be an indefinite period.

Mr. OLSON: You ask the question: "Is the CPR living up to its responsibility". I would like to say to you, responsibility to provide transcontinental passenger service. I would like to say to you that this is one of the very large questions that the committee is keenly interested in, and I think it has probably involved the whole of the question in so far as our terms of reference are concerned. What is the extent of this responsibility?

Mr. DRISCOLL: In answering this question we were actually referring to land grants and everything that the CPR got when they first built their railway across Canada and what agreements they made with the government, what responsibilities they were obligated to uphold and how long of a time they were to do this, if there was any specific time limit on it or instances like that. That is the reason we are asking that question.

Mr. OLSON: Do you think that this committee should try and examine the cost and decide what the legal responsibility is in context or do you think it should be tested in a court like the Supreme Court of Canada?

Mr. DRISCOLL: I believe this committee would have to know what was in it before it could act on it.

Mr. OLSON: We can read every word that is in it. That is no problem, but it is the interpretation. Do you believe that this Committee should undertake the legal problem of interpreting what is in this act or should it be referred to a court of law?

Mr. DRISCOLL: I would say if we cannot interpret it—

The CHAIRMAN: I would think Mr. Olson is in a legal argument now—

Mr. OLSON: I was not asking you for a legal interpretation. I am asking—

The CHAIRMAN: I would think Mr. Olson in a legal argument like that—

Mr. OLSON: Have you had any complaints in this area about the downgrading or the elimination, I guess I should say, of long service pass privileges?

Mr. DRISCOLL: Yes, to a certain extent.

Mr. OLSON: Would you care to express an opinion on these passes for the retired employees and other long service pass holders, whether or not this was part of their remuneration while they were working for the company or something that the CPR gave them over and above.

Mr. DRISCOLL: Going back into the collective bargaining I do not know whether they got it over the collective bargaining table in that way or it was just something they have got from the CPR, but most of the employees understood that they had this years ago and they would not have understood that they would have got it over the collective bargaining table.

Mr. OLSON: In the number of years that they were working putting in their service to the CPR did they consider this pass as a right in so far as it was part of the fringe benefits that they were entitled to?

Mr. DRISCOLL: Yes, most of them did.

Mr. OLSON: That is all.

The CHAIRMAN: If there are no further questions, I would like to thank Mr. Driscoll for his presentation on behalf of the Medicine Hat and District Labour Council. Thank you very much.

Gentlemen I want to bring to your attention a number of matters of business. First of all I would like to thank Mr. A. R. Kay the Sheriff and Clerk of the Supreme Court of Medicine Hat for accommodating us in this room; the arrangements were quite satisfactory and we appreciate his time and effort in delivering a number of phone calls and telegrams to the members. I also would like to take this opportunity of thanking all those who presented briefs here today, for their very kind patience in waiting as long as they have to present them and the Committee is very grateful for the presentations we have heard.

We should state for the record that our trip to Medicine Hat, as we have stated last night and today, will be for many of us a very unforgettable one. We are grateful to the very kind people we have met, for the kind hospitality extended toward the members of this Committee—and I understand that that hospitality is not finished yet—but certainly I want to commend—and I know I echo the sentiments of those of the Committee who have not been out west and have not been to Medicine Hat—in particular the citizens of Medicine Hat, a very fine community, and the active organizations and fraternal organizations that you have here. You are very fortunate. But as far as transportation is concerned, gentlemen, we are having our own problems getting in and out. I am happily informed that if the members are on the cars this evening by no later than 11.30 p.m. it will be close to midnight that the "Canadian" will pass through and we will hitch on and all be on our way to Moose Jaw by 6.30 or 7.00 in the morning in plenty of time for our hearings there. I would ask all members to be on the cars this evening, no later than 11.30. With that I would ask for a motion that we adjourn.

Moved by Mr. Fawcett, seconded by Mr. Boulanger.

Motion agreed to.

APPENDIX "O"

BREIF SUBMITTED BY THE CITY OF MEDICINE HAT
to the

STANDING COMMITTEE ON TRANSPORT AND COMMUNICATIONS

The City of Medicine Hat welcomes you here this morning and we thank you for taking a first hand look at our problem. We would like to make representation as follows:

1. The City of Medicine Hat serves a trading area of approximately 16,000 square miles, with a population estimated at 65,000 people. The area includes the following towns on the north—Acadia Valley, Oyen, Empress in Alberta and Estonia, Alsask, Prelate in Saskatchewan. On the easterly strip in Saskatchewan, there are the towns of Fox Valley, Piepot, Maple Creek, Covenlock, Eastend, Consul, to the American border and in Alberta on the west, from Brooks, Bow Island, Foremost to the American border.

2. In 1960, in Census Division No. 1 (Medicine Hat & District), in Alberta there were listed 50 manufacturing industries employing 2,074 persons with wages and salaries totalling \$7,584,000. and the value of factory shipments exceeded 41 million dollars. In this same Census Division in 1960, there was a total population of 39,140, of which 7,380 lived on 2,165 farms.

3. The total retail trade in Census Division No. 1, was listed as \$33,417,000. The total estimated retail trade in the entire area, Saskatchewan and Alberta included, is 45-50 million dollars.

4. In the 1965 Survey of Markets by Financial Post, the following indexes have been developed from D.B.S. Figures:

(1) Personal Disposable Income—this is the total income of residents of a given area after payment of direct taxes (income taxes and some others of lesser importance).

(2) Retail Sales—D.B.S. publishes current national and provincial or regional estimates of retail sales.

(3) Income rating—the income rating for each area was obtained by expressing average personal disposable income (i.e. total income divided by total population at a percentage of the average for Canada as a whole).

(4) Industry rating—was obtained by expressing the value added per capita as a percentage of the national per capita figure. The total value added or industry value added represents the value of shipments of manufactured goods less cost of materials, supplies, fuel, electricity.

The following table shows a comparison of these indexes by province and by cities in Alberta and along the CPR mainline.

City or Province	Per Capita Disposable Income	Per Capita Retail Sales	Income Rating	Industry Rating
British Columbia.....	1,870	1,200	144	92
Alberta.....	1,640	1,160	100	42
Saskatchewan.....	1,540	1,220	94	21
Manitoba.....	1,630	1,010	99	62
Ontario.....	1,980	1,030	121	341
Quebec.....	1,460	910	89	102
Medicine Hat.....	1,510	1,580	92	76
Red Deer.....	1,640	2,080	100	18
Lethbridge.....	1,610	1,870	98	41
Swift Current.....	1,610	2,610	98	2
Moose Jaw.....	1,690	2,320	103	30
Calgary.....	1,950	1,480	119	50
Edmonton.....	1,850	1,390	113	67

It is apparent from these statistics that we are far above other cities in our Industrial Rating and are therefore very dependent on transportation in all forms, not only to move raw material to our plants and the finished products to market, but also to move business people to and from our city.

5. The area included in Alberta-Saskatchewan serves dry-land farming and ranching together with a very concentrated irrigation section from Medicine Hat west and northwest, including the areas around Seven Persons, Bow Island, Burdett, Hays, Vauxhall and the E.I.D. area around Brooks and Tilley. In Medicine Hat itself, there is a very high rate of industrialized development with a broad base, including the manufacture of brick and tile, sewer pipe, glass, fertilizer complex, tire manufacturing, foundry, flour milling, greenhouse products, potteries, linseed oil and pickle manufacturing, together with the service industries.

6. Medicine Hat has comparably low taxes, municipally owned utilities featuring low-cost gas, excellent water supplies and excellent labour—all ingredients required for good industrial expansion.

To quote from the Canada Year Book, 1964:

To such a country with a population so dispersed and producing for export as well as for consumption in distant parts of the country itself, efficient and economical transportation facilities are necessities of existence.

7. We have obtained from the Dominion Bureau of Statistics figures showing passenger traffic operating expenses, etc. and we submit these bear no resemblance to the figures submitted by the Canadian Pacific Railway in support of its application. (Discontinuance of the Dominion)

(a) See Addendum 1 Page 1 (from Canada Year Book 1965) pg. 764

(i) Over the period 1954 to 1963, operating revenues exceeded operating expenses in each year.

(ii) *See addendum 1 Page 2.*

It states that of the total operating expenses in 1963, amounting to 1.149 billion dollars, those connected with transporting persons and property; such as stations, yard and terminal services, etc accounted for

.....	37.2%
equipment maintenance accounted for	22.6%
road maintenance	21.1%
rents & taxes	5.9%
ticket sales advertising, etc.	2.7%
misc. expenses including dining, car, etc.	10.5%

It goes on to state that these proportions have remained fairly constant in recent years. Why should the "Dominion" vary from these?

(b) *See Addendum 2, Pages 1-6—DBS Catalogue No. 52-202 "Operating Statistics" Canadian Pacific Railway Co. 1923-1964.*

(i) *Page 1*—In the last five years the number of passengers carried has been relatively the same and the passenger revenue, in spite of the decrease in fares in this period has been nearly the same.

(ii) *Page 2*—Rail revenues have exceeded rail expenses consistently throughout the period 1923-1964.

(iii) *Page 3*—Average per passenger train mile shows a steady increase in revenue passenger miles and passenger train revenue.

(iv) *Page 4*—Ratio of rail expenses to revenue in 1964 was 91.90.

(c) *See Addendum 3 Pages 1 and 2—Railway operating Statistics P 4, C.D.B.S. Catalogue #52-206 (1964).*(i) *Page 1*

(a) Passenger traffic in 1964 showed an increase on the 22 railways reporting over 1963 as did the Canadian Pacific Railway.

(b) Canadian Pacific Railway showed a superior ratio of operating expenses to revenue than the other 22 railways over 1963 figures and this was 91.46%.

(ii) *Page 2—March, 1965.*

(a) Revenue Passengers on Canadian Pacific Railway were down very little (70,000) and Canadian National were up slightly (100,000).

(b) Canadian Pacific Railway showed a superior ratio of operating expense to operating revenue in March, 1965 (89.47) than in 1964 (91.46)

(d) *Addendum 4, Pages 1 to 6—DBS Catalogue No. 52-201, Canadian National Railways 1923-1963.*

(i) *Page 1*—Canadian National Railway in the last five years show a consistency in revenue passengers carried with a decrease in passenger revenue.

(ii) *Page 2*—Rail revenues did not consistently exceed rail expenses in the period 1923-1963.

(iii) *Page 3*—Average per passenger train mile for Revenue Passenger train revenue shows an increase.

(iv) *Page 4*—Ratio of rail expenses to revenue in 1963 was 98.75%.

8. The City of Medicine Hat would like to draw to the attention of the Committee; the following:

In 1961 the City appeared before the Air Transport Board to request continuation of the Trans-Canada Air Lines "Milk Run" Air Service (Winnipeg to Calgary via Yorkton, Regina, Swift Current, Medicine Hat, Lethbridge and Calgary). The air rate at that time was \$16.00 one way—Medicine Hat to Calgary. At the time of these hearings, the railway rate charged by the Canadian Pacific Railway was dropped to \$4.05 one way from Medicine Hat to Calgary. We assume this was with the Board's approval. Needless to say, economic justification on these comparative rates ended air service. Now the rate has been raised to \$8.80 one way to Calgary. The City questions how these rates can be "bounced" around like this.

The City would like to submit to the Committee that transportation, in Canada, is a utility the same as electricity or gas or water and on mainlines only reasonable, improved service must be expected and just rates necessary to maintain such service should be charged.

9. From newspaper reports, it would appear that the Canadian National Railways are expanding and improving passenger handling service, while the Canadian Pacific Railway for the last few years have been endeavouring to reduce and curtail service to the passenger traffic. What is reasonable service is then, not a question of fact, but of opinion, and the Board, we feel, is the proper authority to make this decision. We are not seeking or advocating subsidies—we believe Canadians are prepared to pay for the service they receive. We are simply asking for reasonable railway service, which is necessary to provide Medicine Hat the opportunity to grow with Canada.

10. The greenhouse industry in the Medicine Hat area grosses approximately two million dollars per year, a large part of which is spent in Medicine Hat area for supplies as well as labour. There are some 16-20 independent greenhouse operators involved in the above mentioned total production figure, which includes flowers and vegetables. These goods are marketed from Ft. William at the Lakehead to Vancouver and from the American border north to Grande Prairie. This is one of three major flower and indoor vegetable producing areas in Canada. It is estimated that we supply only 25% of the Canadian market in our particular field, the remainder being imported from the United States. With the amount of sunshine and the abundant supply of natural gas, which we have in this area, there is absolutely no reason to deny that the day will come when we will be able to supply the entire Canadian market thus eliminating the need for importing. The elimination of the Dominion has removed the only other means of shipping our perishable produce out of the Medicine Hat area, during the four or five months of intense winter cold weather. The Air Transport Board, in their wisdom, chose to eliminate our Air Service several years ago, and they literally gave the Americans one-third of the minority portion of the Canadian market which we had. Neither the Canadian Pacific Express Merchan-

dise Service nor any of the other commercial trucking firms, which serve Medicine Hat, have facilities to handle the volume of perishable merchandise, which we export. Although we have been told by the Canadian Pacific Railway that they will carry our produce on their merchandise service truck line, we know from the experiences of the past winter, and the admissions of their own local staff that they do not have the trailer facilities to handle perishable merchandise. Although, they can and are at the present time quite successfully handling our flowers with their antiquated equipment—the problem is that they cannot keep perishable merchandise from freezing during the severe weather. The Dominion train, and to a very limited extent the Canadian, on which the railroad is very reluctant to transport flowers, are the only facilities which are available for moving our produce to market and without this transportation, our industry will perish, just as surely as a flower perishes when it freezes.

11. The Canadian Pacific, in its brief, stated that the specific problem before this committee is that for passenger transportation. They outlined the various elements of passenger demands as:

Convenience

Comfort

Speed

Cost to the Passenger

We suggest there should be another element—that of dependability. When all other forms of passenger service are grounded or when highways are blocked, the railway service can be depended on. Many people, including elderly people and those to whom time is not critical, enjoy railway travel.

We would like to point out that this dependability has been badly eroded in the last few years:

(1) In Medicine Hat, from the first of December 1965 until the end of March, the sole remaining railway passenger service on the mainline of the "World's Most Complete Transportation System", was late at least 50% of the time. In the old "Steam Locomotive" days, you could set your watch by the train. It is hard to believe that in this age of technological improvement that the Diesel cannot be kept on time. For this reason, and to make connections with other transportation facilities, it has been necessary for the travelling public to seek other means of transportation.

(2) Many people are complaining about not being able to obtain reservations on short notice. Even on adequate notice, there is a considerable delay. When passengers do get on the train, they find many empty seats. This is very poor public relations and after watching the "immediate" reservation replies that Air Canada gives, one cannot help but question whether the Canadian Pacific really wishes to be in the passenger business.

12. We made a submission to the Board of Transport Commissioners, stating that if the "Dominion" was discontinued then the "Canadian" must be improved to provide reliable, first class passenger service, together with express facilities and that an intercity (Winnipeg to Calgary) dayliner service be provided on a trial basis.

13. The City of Medicine Hat along with the other cities across the prairies, asked that consideration be given to the National Transportation Policy, whereby, all forms of transportation would be reviewed. In this tremendous area of change, our economic growth can only be assured with a flexible transportation policy.

At a meeting of the American Industrial Development Council in Seattle, Washington April 17-20, Mr. Welby M. Frantz, President, Eastern Express Inc. and Past President, American Trucking Associations indicated that in the United States, the transportation dollar is divided such that 71% goes to trucking, 16% to railway, 5% to water, 2% to pipeline, 1% to air and that the trend over the next ten years will be for trucking to up to 76% and the others to be cut back.

At the same meeting, Blaine Cooke, Vice President, Marketing, United Air Lines, Chicago, Illinois, indicated on behalf of the aviation industry that 85% of all passengers moved are by the automobile, but the trend over the next ten years is going to be such that the twelve main airports in the U.S. by 1975, will not be able to handle the passenger traffic. He indicated that, for example, in Chicago they are handling between 40-50 thousand persons per day now and that by 1975 this is estimated to be 150 thousand.

In view of these predictions, the City suggests that ALL forms of transportation, whether it be highway, bus traffic, truck traffic, railway or air, must be kept in a flexible state of improvement across the country. The "Canadian", as we know it, is the only Trans-continental passenger train left on the CPR and, therefore, it is very important to Canada as a whole that this prime railway service be promoted and upgraded.

In conclusion, the City of Medicine Hat would like to make three recommendations.

1. That the remaining railway passenger service known as the "Canadian" be improved in its operations by:

- (a) an improved reservation system, similar to the "Air Canada" system.
- (b) that the train schedule be maintained to ensure dependable service.
- (c) that provision be made to handle express on the "Canadian" when trucking facilities cannot meet winter conditions.
- (d) that positive efforts be made to promote railway passenger traffic.

2. That there be a new Transportation Authority to co-ordinate all forms of transportation, to ensure that all communities have equal opportunities of growth.

3. That there be an independent research body of Transportation Economists to study the statistics, costs and other matters as they relate to transportation facilities and their effect on regional growth in Canada.

3.—CAPITAL LIABILITY OF RAILWAYS, 1954-63

NOTE.—Figures for 1876-1925 are given in the 1927-28 Year Book, p. 649; those for 1926-41 in the 1947 edition, p. 662; and those for 1942-53 in the 1963-64 edition, p. 758.

(Exclusive of Canadian railway capital owned by Canadian railways)

Year	Stocks	Funded Debt	Total ¹
	\$.	\$	\$
1954.....	2,499,778,848	1,475,815,267	3,975,594,115
1955.....	2,543,465,586	1,565,109,030	4,108,574,616
1956.....	2,572,487,313	1,612,706,551	5,185,193,864
1957.....	2,565,559,683	1,764,660,210	4,330,219,893
1958.....	2,646,659,697	1,953,114,826	4,599,774,523
1959.....	2,669,062,260	2,122,675,213	4,791,737,482
1960.....	2,725,827,084	2,244,571,812	4,970,399,406
1961.....	2,748,537,919	2,234,316,735	4,962,364,654
1962.....	2,769,152,429	2,245,189,028	5,014,341,830
1963.....	2,791,044,973	2,183,556,139	4,974,001,112

¹Exclusive of approximately \$40,000,000 railway debt in Newfoundland.

4.—CAPITAL INVESTED IN RAILWAY ROAD AND EQUIPMENT PROPERTY, 1959-63

Investment	1959	1960	1961	1962	1963
	\$	\$	\$	\$	\$
Road.....	134,823,880	113,587,736	72,244,687	70,674,760	125,463,519
Equipment.....	78,487,442	Cr. 12,920,826	Cr. 30,683,878	7,258,657	Cr. 16,753,029
General.....	Cr. 816,428	Cr. 35,516	3,152,244	Cr. 243,720	Cr. 84,786
Undistributed.....	42,668,998	6,742,707	40,971,544	12,905,861	Cr. 2,626,787
CNR non-rail property.....	1,861,030	6,538,741	15,506,157	10,513,908	Cr. 3,771,974
CPR.....	36,878,761	122,830	25,492,752	2,581,950	Cr. 3,345,548
Other.....	3,929,207	81,136	Cr. 27,365	Cr. 189,997	2,446,737
Totals.....	255,163,892	107,374,071	85,084,507	99,505,558	106,108,489
Cumulative Investment to Dec. 31.....	6,637,332,271	6,744,706,342	6,830,390,939	6,920,986,497	7,027,154,986

Revenues and Expenses.—The ratio of operating expenses to revenues of railways operating in Canada was 94.99 p.c. in 1963 compared with 93.07 p.c. in 1954; the high for the period 1954-63 was 97.30 p.c. recorded in 1958. Operating revenues, which reached an all-time high in 1959, increased 0.5 p.c. over the ten years. Operating expenses increased 12.8 p.c. during the same period. Because outlay increased more rapidly than income, the net operating revenue per mile of line dropped from \$1,760 in 1954 to \$1,356 in 1963, although the lowest figure during the period was recorded in 1958 at \$696.

5.—OPERATING REVENUES AND EXPENSES OF RAILWAYS, 1954-63

NOTE.—Operating revenues and expenses from 1875 are given in previous editions of the Year Book beginning with the 1916-17 edition.

Year	Total Operating Revenues	Total Operating Expenses	Ratio of Operating Expenses to Operating Revenues	Per Mile of Line			Freight- Train Revenue per Freight- Train Mile	Passenger- Train Revenue per Passenger- Train Mile
				Operating Revenues	Operating Expenses	Net Operating Revenues		
	\$	\$	p.c.	\$	\$	\$	\$	\$
1954.....	1,095,440,918	1,019,530,983 ¹	93.07	25,402	25,642	1,760	15.58	3.44
1955.....	1,138,351,601	1,048,564,681 ¹	92.50	26,876	23,517	3,359	14.21	3.60
1956.....	1,390,923,923	1,171,338,574	84.96	29,647	26,159	3,488	15.75	4.16
1957.....	1,263,147,930	1,208,530,146	95.73	28,171	26,811	1,360	14.85	3.39
1958.....	1,163,735,417	1,132,277,504	97.30	25,766	25,070	696	14.61	3.14
1959.....	1,224,567,928	1,166,306,724	95.24	27,093	25,804	1,289	15.44	3.24
1960.....	1,151,655,456	1,109,470,426	96.34	25,544	24,908	636	15.64	3.49
1961.....	1,156,480,700	1,114,132,525	96.35	25,736	24,800	936	16.72	3.32
1962.....	1,165,296,722	1,119,662,072	96.08	26,002	24,984	1,018	16.91	3.36
1963.....	1,240,209,750	1,149,530,526	93.09	27,061	25,695	1,366	17.04	3.51

¹Excludes equipment rents, joint facility rents and tax accruals.

Of the total operating expenses in 1963, amounting to \$1,149,530,526, those connected with the transporting of persons and property, such as station, yard and terminal services and employees, wharves, fuel, etc., accounted for 37.2 p.c.; equipment maintenance accounted for 22.6 p.c.; road maintenance for 21.1 p.c.; rents and taxes for 5.9 p.c.; expenses connected with traffic soliciting, such as advertising and information, ticket and freight offices, etc., for 2.7 p.c.; and miscellaneous expenses, including incidentals, dining and buffet services, grain elevators, etc., for the remaining 10.5 p.c. These proportions have remained fairly constant in recent years.

Employment, Salaries and Wages.—Rail employment in 1963 declined 3.1 p.c. from the preceding year; it was 27.3 p.c. lower than the 1956 high and 15.9 p.c. lower than the ten-year average, 1954-63. Compared with 1954, total compensation increased 14.4 p.c. and the average annual salary for the industry increased 43.4 p.c. Rail employment decreases, which have been continuous since 1956, are attributable in part to business losses but to a greater extent to technological and organizational changes.

6.—RAILWAY EMPLOYEES AND THEIR EARNINGS, 1954-63

NOTE.—Figures include employees and wages for 'outside' operations amounting to from 3 to 6 p.c. of total employees and from 2 to 5 p.c. of total salaries and wages. Figures for 1912-36 are given in the 1941 Year Book, p. 551; for 1940-49 in the 1951 edition, p. 723; and for 1950-53 in the 1961 edition, p. 785.

Year	Employees	Total Salaries and Wages	Average Salaries and Wages	Ratio of Total Payroll (charged to operating expenses) to—	
				Operating Revenues	Operating Expenses
	No.	\$	\$	p.c.	p.c.
1954.....	196,307	661,829,774	3,371	54.3	53.3
1955.....	195,459	674,875,767	3,453	50.2	57.4
1956.....	215,824	780,135,918	3,623	50.6	55.4
1957.....	212,426	791,529,117	3,726	51.4	53.7
1958.....	192,809	757,907,896	3,931	52.7	54.3
1959.....	187,984	780,031,534	4,150	51.5	54.2
1960.....	175,537	740,475,804	4,218	53.0	54.3
1961.....	166,081	748,097,831	4,504	53.7	54.9
1962.....	162,861	747,301,214	4,589	51.4	53.7
1963.....	156,527	756,802,741	4,835	50.4	53.1

¹Includes employees engaged in communications, express cartage, highway transport (rail) and outside operations.

Government Aid to Railways.—In order that the private railways of Canada might be constructed in advance of settlement as colonization roads or through sparsely settled districts where little traffic was available, it was necessary for federal and provincial governments and even for municipalities to extend some form of assistance. The form of aid was usually a bonus of a fixed amount for each mile of railway constructed and, in the early days, grants of land were also made other than for right-of-way. As the country developed, objections to the land-grant method became increasingly apparent and aid was given more frequently in the form of a cash subsidy for each mile of line, a loan or a subscription to the shares of the railway. Guarantees of debentures issues were given in a later period and, since the formation of the Canadian National Railways, all debenture issues of that System, except those for rolling-stock, have been guaranteed by the Federal Government.

During the era of railway expansion before 1918, provincial governments guaranteed the bonds of some railway lines that afterwards were incorporated in the Canadian National Railway System. These bonds as they mature or are called are paid off by the Canadian National Railways, in large measure through funds raised by the issue of new bonds with Federal Government guarantee. Railway bonds guaranteed by the Government of Canada at Dec. 31, 1963 amounted to \$1,378,875,000.

TABLE 7. OPERATING STATISTICS¹

DOMINION BUREAU OF STATISTICS

No.	Year	Average miles of road operated	Revenue freight carried	Revenue freight ton miles	Revenue passengers carried ²	Revenue passenger miles	Freight revenue ³	Passenger revenue	Passenger ton-mile revenue ⁴
			'000 tons	'000,000	'000	'000,000		\$'000	
1	1923.....	14,617	32,939	14,567	16,224	1,401	139,979	38,050	57,537
2	1924.....	14,846	30,621	12,717	15,602	1,282	128,716	35,687	54,067
3	1925.....	15,175	32,969	13,364	15,042	1,307	133,716	34,715	56,191
4	1926.....	15,372	35,963	14,188	15,075	1,314	147,430	35,811	57,028
5	1927.....	15,600	36,874	14,870	15,110	1,328	150,566	36,393	56,441
6	1928.....	15,819	42,977	18,423	14,751	1,377	177,863	37,155	57,551
7	1929.....	16,090	40,977	14,951	14,054	1,257	160,361	35,877	56,050
8	1930.....	16,416	33,733	12,370	12,446	1,026	133,015	29,274	47,578
9	1931.....	16,745	27,187	10,793	9,442	743	106,634	20,560	39,085
10	1932.....	16,888	22,613	10,067	7,916	645	91,127	16,578	33,057
11	1933.....	17,030	22,020	9,353	7,174	614	85,135	14,163	29,514
12	1934.....	17,015	25,606	10,026	7,593	685	94,787	15,015	30,069
13	1935.....	17,222	26,094	10,522	7,424	696	97,794	15,031	30,268
14	1936.....	17,241	27,985	11,424	7,387	759	105,439	15,539	32,158
15	1937.....	17,223	29,843	11,602	7,821	826	110,349	16,464	33,652
16	1938.....	17,186	30,471	12,135	7,454	761	110,380	15,962	33,060
17	1939.....	17,176	33,030	14,037	7,255	751	120,139	15,476	33,599
18	1940.....	17,159	36,746	16,028	7,781	925	135,589	18,202	34,351
19	1941.....	17,151	44,710	22,376	9,145	1,313	177,339	25,066	42,000
20	1942.....	17,077	47,972	22,600	13,457	2,097	195,903	39,159	58,454
21	1943.....	17,035	52,552	24,951	17,597	2,632	218,463	50,944	71,180
22	1944.....	17,030	55,679	27,376	18,461	2,891	233,651	56,007	81,885
23	1945.....	17,029	54,822	27,252	17,741	2,869	228,436	56,492	81,127
24	1946.....	17,037	51,401	23,480	15,584	2,126	219,499	45,000	72,691
25	1947.....	17,035	59,035	26,202	14,636	1,666	252,420	39,907	83,830
26	1948.....	17,033	60,037	25,218	13,629	1,524	288,601	37,848	86,008
27	1949.....	17,031	56,446	24,261	11,969	1,389	294,832	37,787	71,255
28	1950.....	17,019	53,916	22,941	10,541	1,242	308,696	34,927	70,570
29	1951.....	17,009	60,650	26,827	10,461	1,339	354,445	37,810	79,217
30	1952.....	17,017	61,505	28,943	9,868	1,377	379,697	38,958	82,929
31	1953.....	17,018	59,267	27,456	9,427	1,321	392,574	37,210	80,692
32	1954.....	17,003	54,206	23,668	9,529	1,282	348,668	36,118	80,230
33	1955.....	16,997	58,489	25,723	9,544	1,331	371,977	37,463	82,555
34	1956.....	17,126	65,838	30,433	8,906	1,310	427,053	38,170	85,207
35	1957.....	17,111	58,493	27,281	8,037	1,338	411,489	38,935	83,923
36	1958.....	17,096	54,367	26,873	7,746	1,149	396,646	35,677	80,297
37	1959.....	17,096	57,879	25,953	7,740	1,112	409,285	33,488	78,916
38	1960.....	17,094	56,924	25,733	7,059	1,008	393,337	30,805	72,152
39	1961.....	17,033	58,832	26,451	6,275	837	410,386	26,550	64,492
40	1962.....	16,823	57,641	26,060	6,440	845	396,756	26,311	61,793
41	1963.....	16,742	59,254	29,134	6,749	839	422,002	26,209	57,778
42	1964.....	16,685	66,362	33,930	6,997	1,023	451,883	25,249	59,493

See notes on page 761.

TABLE 7. OPERATING STATISTICS¹
CANADIAN PACIFIC RAILWAY COMPANY

Rail revenues ⁵	Rail expenses ⁵	Freight service train miles	Passenger service train miles	Average per mile of road operated				No.
				Revenue freight ton miles	Revenue passenger miles	Rail revenues	Rail expenses	
				dollars				
\$'000			'000					
212,218	171,903	27,678	20,806	996,575	95,840	14,519	11,760	
197,546	159,056	24,811	20,925	856,642	86,389	13,306	10,714	2
201,177	155,493	26,057	21,025	880,679	86,152	13,257	10,247	3
217,360	164,743	27,907	21,088	922,968	85,472	14,140	10,717	4
221,421	173,817	28,915	21,508	953,189	85,147	14,194	11,142	5
251,567	189,603	33,127	21,990	1,164,612	87,069	15,903	11,986	6
233,340	180,405	28,413	21,975	929,185	78,103	14,502	11,212	7
196,212	153,751	24,784	21,836	753,538	82,527	11,952	9,366	8
154,963	124,449	21,221	19,693	644,571	44,356	9,254	7,432	9
130,451	105,555	18,975	17,998	596,129	38,181	7,724	6,250	10
120,431	94,871	17,015	16,220	549,211	36,040	7,072	5,571	11
131,947	101,275	18,420	16,025	589,271	40,233	7,755	5,952	12
135,209	107,776	18,838	16,098	610,952	40,443	7,851	6,258	13
143,990	115,240	20,417	16,190	662,619	44,030	8,352	6,684	14
151,505	121,811	21,156	16,538	673,663	47,982	8,797	7,073	15
150,363	122,990	20,445	16,473	706,095	44,281	8,749	7,156	16
159,863	124,574	21,199	16,398	717,244	43,752	9,307	7,253	17
182,070	136,515	23,379	16,622	934,092	53,928	10,611	7,956	18
234,621	168,939	30,793	17,671	1,304,661	76,586	13,680	9,850	19
272,269	195,415	31,279	19,078	1,323,442	122,799	15,944	11,443	20
314,332	229,513	32,846	20,015	1,404,716	154,504	18,452	13,473	21
334,110	266,773	35,115	20,586	1,607,511	169,786	19,795	15,665	22
335,628	274,379	35,016	20,794	1,600,283	168,470	19,709	16,112	23
314,528	272,997	33,684	20,230	1,378,158	124,792	18,461	16,024	24
343,301	299,990	35,892	20,081	1,538,139	97,776	20,153	17,611	25
380,006	350,496	35,939	20,205	1,480,587	89,446	22,310	20,578	26
389,816	358,850	35,637	20,117	1,424,479	81,579	22,888	21,070	27
405,856	349,284	33,426	19,601	1,347,972	72,995	23,848	20,524	28
460,370	410,442	36,364	20,060	1,577,219	78,745	27,066	24,131	29
492,982	438,344	37,493	20,610	1,700,847	80,938	28,970	25,759	30
509,314	456,652	36,070	20,641	1,613,344	77,624	29,928	26,833	31
461,040	411,536	31,297	20,277	1,392,051	75,415	27,116	24,204	32
488,290	419,758	32,317	19,892	1,513,336	78,304	28,728	24,696	33
548,535	505,623	35,266	18,344	1,776,984	76,465	32,024	29,524	34
530,356	490,977	30,504	16,764	1,594,371	78,211	30,995	28,694	35
511,191	473,190	27,908	16,235	1,571,853	67,216	29,901	27,678	36
523,915	486,251	27,005	14,649	1,518,101	65,057	30,646	28,443	37
502,205	466,718	26,325	12,127	1,505,324	58,973	29,378	27,302	38
510,810	471,548	24,148	10,615	1,552,929	49,138	29,989	27,684	39
497,087	466,411	23,219	10,098	1,549,039	50,203	29,548	27,724	40
518,621	481,873	24,198	9,942	1,740,244	50,136	30,978	28,783	41
534,895	509,970	25,694	9,351	2,033,594	61,342	33,258	30,565	42

TABLE 7. OPERATING STATISTICS¹—Concluded

DOMINION BUREAU OF STATISTICS

No.	Year	Average per freight train mile		Average per passenger train mile		Average ton miles per loaded car mile ¹	Average haul revenue freight miles	Average passenger revenue miles
		Revenue freight ton miles	Freight revenue	Revenue passenger miles	Passenger train revenue			
		\$		\$				
1	1923.....	526	5.06	67.83	2.77	28.18	442.3	86.85
2	1924.....	513	5.19	61.28	2.59	27.18	415.3	82.18
3	1925.....	513	5.13	62.18	2.53	26.49	405.3	86.91
4	1926.....	508	5.28	62.31	2.60	26.64	394.5	87.15
5	1927.....	514	5.21	61.76	2.61	27.15	403.3	87.91
6	1928.....	556	5.37	62.64	2.62	27.79	428.7	93.88
7	1929.....	526	5.64	57.19	2.57	26.34	364.9	89.42
8	1930.....	499	5.37	47.01	2.18	25.81	366.7	82.47
9	1931.....	509	5.02	37.72	1.83	26.38	397.0	78.86
10	1932.....	531	4.80	35.83	1.67	27.64	445.2	81.45
11	1933.....	550	5.00	37.84	1.64	26.98	424.8	85.36
12	1934.....	544	5.15	42.72	1.75	26.34	391.6	90.16
13	1935.....	559	5.19	43.27	1.76	26.44	403.2	93.82
14	1936.....	560	5.16	46.89	1.80	26.72	408.2	102.76
15	1937.....	548	5.22	49.97	1.85	25.62	388.8	105.67
16	1938.....	594	5.40	46.20	1.83	27.66	398.2	102.09
17	1939.....	662	5.67	45.83	1.82	29.40	425.0	103.87
18	1940.....	686	5.80	55.67	2.06	30.12	436.2	118.92
19	1941.....	727	5.76	74.33	2.39	31.86	500.5	143.64
20	1942.....	723	6.26	109.92	3.06	31.93	471.1	155.83
21	1943.....	760	6.65	131.50	3.72	33.72	474.8	149.57
22	1944.....	780	6.65	140.46	3.98	33.96	491.7	156.83
23	1945.....	778	6.52	137.97	4.05	33.73	497.1	161.71
24	1946.....	697	6.52	105.09	3.60	30.78	456.8	136.43
25	1947.....	730	7.03	83.15	3.44	31.23	443.8	113.80
26	1948.....	702	8.03	75.40	3.41	30.98	420.0	111.78
27	1949.....	681	8.27	69.06	3.54	30.67	429.8	116.08
28	1950.....	686	9.24	63.38	3.61	29.59	425.5	117.85
29	1951.....	738	9.75	66.77	3.80	31.78	442.3	128.04
30	1952.....	772	10.13	66.83	4.02	33.21	470.6	139.57
31	1953.....	761	10.88	64.00	4.05	32.86	463.3	140.13
32	1954.....	756	11.14	63.24	3.96	31.92	436.6	134.57
33	1955.....	796	11.48	66.91	4.16	31.70	439.8	139.45
34	1956.....	883	12.11	71.39	4.64	33.02	462.2	147.04
35	1957.....	894	13.49	79.83	5.01	32.97	466.4	166.50
36	1958.....	963	14.21	70.78	4.95	32.48	494.3	148.36
37	1959.....	961	15.16	75.92	5.37	32.23	448.4	143.70
38	1960.....	978	14.94	83.13	5.96	31.83	452.1	142.82
39	1961.....	1,095	16.99	78.85	6.08	33.07	449.6	135.39
40	1962.....	1,122	17.09	83.64	6.12	33.62	452.1	131.15
41	1963.....	1,204	17.44	84.42	5.81	35.88	491.7	124.37
42	1964.....	1,321	17.59	109.45	6.36	37.86	511.3	146.27

See notes on page 761.

TABLE 7. OPERATING STATISTICS—Concluded

CANADIAN PACIFIC RAILWAY COMPANY

Average revenue				Number of employees	Total pay: roll	Payroll charged to operating expenses ¹	Ratio of operating payroll to revenue	Ratio of rail expenses to revenues	No.
Per ton of freight	Per passenger	Per ton mile	Per passenger mile						
dollars		cents				\$'000	per cent		
4.25	2.35	.961	2.716	—	—	—	—	81.00	1
4.20	2.28	1.012	2.775	—	—	—	—	80.52	2
4.06	2.31	1.001	2.655	—	—	—	—	77.29	3
4.10	2.38	1.039	2.728	68,778	102,336	99,352	45.71	75.79	4
4.08	2.41	1.013	2.740	71,465	109,427	105,685	47.73	78.50	5
4.14	2.52	.965	2.698	75,709	117,488	113,000	44.92	75.37	6
3.91	2.55	1.073	2.855	74,274	115,263	110,453	47.34	77.31	7
3.94	2.35	1.075	2.852	69,740	108,090	102,660	52.32	78.36	8
3.92	2.18	.988	2.768	60,461	89,231	84,706	54.71	80.31	9
4.03	2.09	.905	2.571	53,411	73,383	71,530	54.83	80.92	10
3.87	1.97	.910	2.308	49,412	63,058	61,876	51.38	78.78	11
3.70	1.98	.945	2.193	50,650	65,317	64,137	48.61	76.75	12
3.75	2.02	.929	2.158	50,974	69,797	68,459	50.63	79.71	13
3.77	2.10	.923	2.047	52,427	73,696	71,846	49.90	80.03	14
3.70	2.11	.951	1.992	52,139	77,495	75,016	49.51	80.40	15
3.62	2.14	.910	2.097	49,809	78,034	76,673	50.99	81.80	16
3.64	2.13	.856	2.059	48,689	78,529	77,265	48.33	77.93	17
3.69	2.34	.846	1.967	50,602	82,832	81,554	44.79	74.98	18
3.97	2.74	.793	1.908	56,592	99,276	95,194	40.27	72.00	19
4.08	2.91	.867	1.867	60,364	113,647	108,763	39.95	71.77	20
4.16	2.90	.876	1.936	64,830	125,928	120,757	38.42	73.02	21
4.20	2.03	.853	1.937	68,003	148,842	142,729	42.34	79.14	22
4.17	3.18	.838	1.969	70,778	151,166	144,626	43.09	81.75	23
4.27	2.89	.935	2.117	70,859	160,416	153,309	48.74	86.80	24
4.28	2.73	.963	2.395	72,354	174,151	166,369	48.46	87.38	25
4.81	2.78	1.144	2.484	75,176	207,669	198,164	52.15	92.23	26
5.22	3.16	1.215	2.720	76,917	213,545	202,749	52.01	92.06	27
5.73	3.31	1.346	2.812	74,627	208,565	197,921	48.77	86.06	28
5.84	3.61	1.321	2.823	80,286	247,782	235,977	51.26	89.15	29
6.17	3.95	1.312	2.829	83,848	269,327	253,430	51.41	88.92	30
6.62	3.95	1.430	2.817	83,411	281,151	264,775	51.99	89.66	31
6.43	3.79	1.473	2.817	75,289	256,596	244,179	52.96	89.26	32
6.34	3.93	1.443	2.815	75,122	261,401	249,533	51.10	85.96	33
6.44	4.25	1.392	2.888	78,602	289,231	275,336	50.19	92.18	34
6.99	4.81	1.498	2.887	77,142	285,695	270,806	51.06	92.57	35
7.24	4.57	1.465	3.080	70,817	278,577	265,672	51.97	92.57	36
7.02	4.29	1.566	2.986	67,842	282,099	268,574	51.26	92.81	37
6.86	4.32	1.518	3.027	62,777	268,221	254,402	50.66	92.93	38
6.92	4.18	1.540	3.137	59,321	270,236	257,175	50.35	92.31	39
6.83	4.05	1.510	3.088	57,778	266,554	249,908	50.27	93.83	40
7.08	3.70	1.439	2.975	57,066	271,230	253,408	48.86	92.91	41
6.77	3.57	1.324	2.442	57,511	283,863	264,946	47.75	91.90	42

Dominion Bureau of Statistics

NOTES

Table 3.

¹ Original contract October 1880.

² 6,793,014 acres were relinquished in settlement of a loan by the Federal Government of \$10,189,521.

³ Includes 50,000 acres conveyed to Government of Canada under Chapter 5, 1897, as part consideration for Federal cash subsidy to British Columbia Southern Railway.

⁴ Excludes grants for right-of-way and station grounds, etc.—Federal 53,580 acres; Provincial 8,150 acres.

Table 4.

¹ The published statements of operating revenues, expenses, etc. of the Canadian Pacific Railway Company, since January 1, 1932, have included the Dominion Atlantic, the Esquimalt and Nanaimo, the Montreal and Atlantic and Quebec Central Railways; since July 1, 1931, The Fredericton and Grand Lake Coal & Railway and New Brunswick Coal & Railway; and since January 1, 1931, The Kettle Valley Railway. Figures for all years prior to dates cited have been restated for the purpose of uniformity to include these subsidiaries, which were previously separately operated.

² Includes railway, express and commercial communications throughout highway transport (rail) operations and CP Electric Lines from 1956 and B.C. Coast Barges from 1959. Excludes ocean traffic commissions throughout and Great Lakes Steamships from 1956. Also excludes hotels, ocean and coastal steamships and all other non-rail items.

³ Includes railway, express and commercial communications throughout related taxes and rents, highway transport (rail) operations and CP Electric Lines from 1956 and B.C. Coast Barges from 1959. Excludes ocean traffic expenses throughout and Great Lakes Steamships from 1956. Also excludes hotels, ocean and coastal steamships and all other non-rail items.

⁴ Details of Retained Income credits and debits for the year 1964 are: Net Proceeds from Sales of Lands and Townsites and other Properties, cr. \$64,184,314 and Miscellaneous (Net) cr. \$693,014.

⁵ This figure is derived as follows: Surplus Revenue December 31, 1922, as per balance sheet \$129,506,628, undistributed balance of Special Income included in Surplus in Other Assets, December 31, 1922, \$15,827,414, net surplus of subsidiaries and pension fund not consolidated in general balance sheet December 31, 1922, \$4,429,938, less dividends declared account 1922 and paid April 1, 1923, \$8,113,639.

⁶ Includes interest on the 20 year 4½% Sinking Fund Note Certificate previously charged Land Surplus.

⁷ Charged to Profit and Loss in 1944.

⁸ Includes dividend of 3% (\$10,050,000) on the Ordinary Stock declared from the earnings for the year but not paid until the following year.

⁹ Effective January 1, 1956, the balances of the accounts Land Surplus (\$101,685,263) and Profit and Loss (\$314,929,852) were combined in the new

account Retained Income (Balance) in conformity with the Uniform Classification of Accounts of the Board of Transport Commissioners for Canada.

¹⁰ Excludes dividends from wholly-owned subsidiary Canadian Pacific Investments Limited which flowed through as dividends to Canadian Pacific Railway Company shareholders—\$14,332,456.

Table 5.

¹ Includes amount of installments paid in on new Ordinary Capital Stock in years in which received.

² Includes \$5,000,000 Perpetual 4% Consolidated Debenture Stock held in Treasury as at December 31, 1922; subsequently sold.

³ Same as note ¹⁰ for Table 4.

CANADIAN PACIFIC RAILWAY COMPANY

Table 6.

¹ As of 1956 capital expenditures on Great Lakes Steamships are included in the column headed "Steamships".

² Includes reduction of \$9,452,380 in cash and \$39,956,612 in securities held as at December 31, 1922 for retirement of \$52,000,000 par value 6% note certificates which were called for payment July 10, 1923.

³ In addition, \$2,319,340 net earnings of Hotels previously credited Hotel Investment, were transferred to Hotel Depreciation Reserve.

⁴ In addition, \$48,134,205 was added to rolling stock investment to bring it up to the cost of units presently in service.

⁵ In addition, credits totalling \$74,728,521 which had been appropriated from surplus during the years 1904-13 and applied in reduction of property investment as well as debits totalling \$33,715,531 for net discount on early issues of capital stock were transferred to Reserve for Depreciation—Road and Premium on Capital and Debenture Stock respectively.

⁶ Subsequent to the end of the year, a dividend of 3% (\$10,050,000) on the Ordinary Stock was declared from the earnings for the year.

⁷ Includes the following capital expenditures on aircraft; 1959, \$19,821,901; 1960, \$8,590,226; 1961, \$19,009,538; 1962, \$3,559,202; 1963, \$92,517; 1964, \$6,738,547.

⁸ Same as note ¹⁰ for Table 4.

Table 7.

^{1,5} and ⁶—Same as notes ^{1,2} and ³ for Table 4.

² Duplications within the system, 1923-31, not eliminated.

³ Charges for pick-up and delivery service were charged to operating expenses and not deducted from freight revenue for 1938 and subsequent years.

⁴ Passenger train revenue includes gross express revenue.

⁷ Revenue and non-revenue freight.

⁸ Excludes ocean traffic payroll since 1938.

..Figures not available.

RAILWAY OPERATING STATISTICS

YEAR 1964

	Total 22 railways			Canadian National Railways		Canadian Pacific Railway Company
	1964	1963 ^a	1964	1963	1964	1963 ^a
Miles of road operated (monthly average)...	44,265.06	44,347.96	23,042.65	23,068.12	16,684.60	16,741.60
Freight traffic:						
Tons carried—Revenue freight ^b	299,505,311	186,270,640	82,645,587	74,183,958	66,362,475	59,254,103
Ton-miles—Revenue freight.....(000)	84,953,230	74,218,283	40,880,366	36,729,851	33,929,696	29,134,471
Ton-miles—Revenue and non-revenue freight.....(000)	86,721,073	75,046,205	41,887,071	37,800,969	34,581,092	29,892,812
Passenger traffic:						
Revenue passengers ^c	22,910,928	20,921,119	14,826,362	12,750,412	6,997,202	6,748,859
Revenue passenger-miles.....(000)	2,680,615	2,067,252	1,539,147	1,115,369	1,023,475	839,356
Gross ton-miles:						
Freight train.....(000)	179,649,563	159,608,270	88,513,098	80,537,613	71,000,475	62,183,433
Passenger train.....(000)	29,110,385	18,518,362	12,911,872	10,836,797	6,745,974	6,505,110
Totals.....(000)	199,760,118	178,186,572	100,725,870	91,374,410	77,814,549	68,689,043
Train-miles:						
Freight service.....	66,709,735	62,278,229	34,764,373	32,399,424	25,463,913	24,198,405
Passenger service.....	28,003,013	28,045,061	17,174,972	15,907,974	9,351,310	9,942,441
Work service.....	1,924,253	2,301,745	1,512,008	1,765,820	133,525	265,231
Totals.....	97,237,051	92,625,035	53,451,353	50,073,218	35,178,748	34,406,077
Car-miles:						
Freight:						
Loaded.....	2,288,599,811	2,093,823,013	1,155,988,452	1,074,152,680	913,505,107	830,765,130
Empty.....	1,429,682,608	1,282,912,362	721,314,152	667,324,109	545,479,411	478,446,004
Carbooses.....	711,103,452	65,687,165	36,676,567	33,343,558	28,108,597	24,678,043
Totals.....	3,783,375,871	3,442,422,540	1,913,979,172	1,774,921,447	1,457,094,115	1,353,879,176
Passenger.....	314,150,896	289,840,554	186,884,789	168,404,985	102,712,823	97,795,846
Total transportation service.....	4,097,508,767	3,732,263,094	2,100,863,961	1,943,417,432	1,559,806,938	1,451,675,022
Number of employees—Railway Payroll:						
Railway.....	134,130	131,665	73,853	71,782	51,198	50,756
Payroll chargeable to railway operating expenses.....\$	699,734,565	645,533,797	390,050,199	349,747,979	256,526,049	245,141,450
Payroll chargeable to railway operating expenses.....\$	645,992,681	597,436,208	358,449,692	321,871,658	248,184,504	228,094,994

^a Includes traffic handled by more than one road.^b Revised figures.

RAILWAY OPERATING STATISTICS
YEAR 1964

	Total 22 railways		Canadian National Railways		Canadian Pacific Railway Company	
	1964	1963 ^r	1964	1963 ^r	1964	1963
Averages per day per mile of road operated:						
Operating revenues	\$ 81.65	\$ 75.08	76.53	70.40	83.63	78.21
Operating expenses	\$ 76.68	\$ 71.29	76.05	69.71	76.49	72.41
Ton-miles—Revenue freight	5,244	4,585	4,847	4,362	5,556	4,768
Ton-miles—All freight	5,354	4,698	4,967	4,489	5,663	4,877
Passenger-miles—Revenue	165	128	183	132	168	137
Averages per freight train mile:						
Freight revenue	\$ 17.51	\$ 17.23	16.23	16.05	17.48	17.33
Tons carried—Revenue freight	1,273	1,192	1,176	1,134	1,321	1,204
Tons carried—All freight	1,300	1,221	1,205	1,167	1,346	1,232
Freight cars—Loaded	34.3	33.6	33.3	33.2	35.6	34.3
Freight cars—Empty	21.3	20.6	20.7	20.6	21.2	19.8
Averages per passenger train mile:						
Passengers carried	94	74	90	70	109	84
Passenger cars	11.0	10.3	10.9	10.6	11.0	9.8
Miscellaneous averages:						
Operating expense per train-mile	\$ 12.78	\$ 12.46	11.84	11.72	13.28	12.86
Miles hauled—Revenue freight	405	393	495	495	511	492
Miles carried—Revenue passengers	117	100	104	87	146	124
Tons carried per loaded freight-car-mile	37.9	36.3	36.3	35.2	37.9	35.9
Revenue per ton-mile of freight	1.375	1.445	1.380	1.415	1.324	1.439
Revenue per passenger per mile	2.377	2.879	2.325	2.818	2.442	2.975
Ratio of operating payroll to operating revenues %	48.83	49.16	55.54	54.30	46.64	47.71
Ratio of operating expenses to operating revenues	93.91	94.96	98.06	99.02	91.46	92.59

^r Revised figures.

TABLE 5—RAILWAY TRAFFIC AND EMPLOYMENT STATISTICS

MARCH 1965

	Total				Canadian National Railways		Canadian Pacific Railway Company		
	24 railways		22 railways						
	1964	1964*	1964	1964	1965	1964	1965	1964	1965
Miles of road operated (monthly average).	44,282.48	44,302.23			23,006.97	23,074.00	19,677.50	16,409.30	
Freight:									
Tons carried—Revenue freight ^a	17,279,548	15,206,701			7,090,892	6,155,309	5,355,057	4,955,533	
Ton-miles—Revenue freight	(000) 6,928,999	6,194,048			3,546,149	3,162,514	2,730,361	2,744,209	
Ton-miles—Revenue and non-revenue freight	(000) 7,089,709	6,635,110			3,627,038	3,233,948	2,776,938	2,806,842	
Passengers:									
Revenue passengers ^a	1,958,327	1,945,914			1,317,748	1,261,964	581,771	630,650	
Revenue passenger-miles	(000) 167,370	197,146			104,949	109,629	56,322	80,140	
Gross ton-miles:									
Freight train	(000) 15,073,738	14,343,446			7,777,854	7,190,247	5,883,022	5,885,811	
Passenger train	(000) 1,488,093	1,525,392			978,012	926,566	421,903	304,170	
Totals	(000) 16,561,771	15,869,038			8,755,866	8,125,813	6,308,925	6,389,981	
Train-miles:									
Freight service	5,936,608	5,639,961			3,124,110	2,955,891	2,285,365	2,294,752	
Passenger service	2,417,303	2,245,540			1,505,937	1,298,685	751,152	765,762	
Work service	94,177	129,743			73,967	101,342	8,715	7,471	
Totals	8,448,088	8,015,264			4,704,014	4,355,918	3,045,232	3,067,765	
Car-miles:									
Freight:									
Loaded	195,132,855	188,041,107			101,867,265	94,380,599	77,297,367	78,018,734	
Empty	119,051,916	118,589,105			62,892,328	64,183,028	41,828,165	41,961,877	
Coaches	6,271,204	6,025,639			3,391,695	3,110,191	2,475,679	2,441,496	
Totals	320,455,975	312,655,251			168,091,488	161,673,818	124,598,811	125,125,307	
Passenger	23,098,527	23,210,631			15,016,182	13,904,871	6,646,134	7,771,282	
Total transportation service	343,554,498	335,865,882			183,011,970	175,580,689	131,244,945	132,898,589	
Number of employees—Railway	130,209	128,379			72,165	69,662	49,401	50,175	
Payroll—Railway	\$ 60,054,042	\$ 54,832,059			\$ 33,867,912	\$ 30,039,672	\$ 21,915,046	\$ 20,710,965	
Payroll chargeable to railway operating expenses	\$ 57,869,734	\$ 50,724,879			\$ 33,692,985	\$ 27,726,448	\$ 20,219,536	\$ 19,792,095	

^a Includes traffic handled by more than one road.

TABLE 6—MISCELLANEOUS RAILWAY AVERAGES

MARCH 1965

	Total				Canadian National Railways		Canadian Pacific Railway Company	
	24 railways		22 railways		1965	1964	1965	1964 [*]
	1965	1964 [*]	1965	1964 [*]				
Per day per mile of road operated:								
Operating revenues..... \$	84.88	79.40			83.17	75.91	86.59	83.67
Operating expenses..... \$	79.17	72.29			80.42	71.55	77.47	73.31
Ton-miles—Revenue freight.....	5,069	4,729			4,972	4,421	5,281	5,304
Ton-miles—All freight.....	5,165	4,831			5,085	4,521	5,371	5,419
Passenger-miles—Revenue.....	122	144			147	153	109	155
Per freight train mile:								
Freight revenue..... \$	17.59	17.23			16.87	16.38	17.49	17.19
Tons carried—Revenue freight.....	1,172	1,151			2,384	1,077	1,195	1,228
Tons carried—All freight.....	1,194	1,176			1,161	1,102	1,215	1,255
Freight cars—Loaded.....	32.9	33.3			32.6	32.1	33.8	34.9
Freight cars—Empty.....	20.1	21.0			20.1	21.9	19.6	20.0
Per passenger train mile:								
Passengers carried.....	69	88			70	84	75	105
Passenger cars.....	9.5	10.3			10.0	10.7	8.3	10.2
Other:								
Operating expense per train-mile..... \$	12.86	12.39			12.19	11.80	13.15	12.61
Miles hauled—Revenue freight.....	403	427			499	514	512	554
Miles carried—Revenue passengers.....	85	101			80	90	97	124
Tons carried per loaded freight-car-mile.....	36.3	35.3			35.6	34.3	36.9	35.9
Revenue per ton-mile of freight..... ¢	1.501	1.496			1.486	1.520	1.464	1.400
Revenue per passenger per mile..... ¢	2.368	2.292			2.205	2.395	2.688	2.163
Ratio of operating payroll to operating revenues..... %	49.60	46.52			56.70	51.06	45.17	44.33
Ratio of operating expenses to operating revenues..... %	93.16	91.05			96.70	94.25	89.47	87.62

* Revised figures.

TABLE 5.—OPERATING STATISTICS

DOMINION BUREAU OF STATISTICS

No.	Year	Average miles of road operated	Revenue freight carried	Revenue freight ton miles	Revenue passengers carried	Revenue passenger miles	Freight revenue	Passenger revenue	Passenger train revenue ¹
			'000 tons	'000,000	'000	'000,000		\$'000	
1	1923	21,805	57,248	18,615	23,684	1,447	185,241	39,285	59,585
2	1924	21,886	52,499	16,990	22,708	1,372	171,045	37,234	57,490
3	1925	21,936	54,999	18,027	21,675	1,380	180,483	36,618	56,782
4	1926	22,066	60,846	19,243	21,580	1,435	200,004	38,099	58,843
5	1927	22,193	61,997	19,465	20,554	1,483	202,107	38,576	59,901
6	1928	22,277	69,155	22,588	19,687	1,514	228,461	39,147	61,687
7	1929	22,628	65,213	19,375	19,251	1,401	214,636	37,132	60,884
8	1930	23,650	54,563	16,910	17,554	1,214	183,568	32,901	53,252
9	1931	23,769	41,708	14,610	13,196	896	148,952	23,200	40,540
10	1932	23,773	34,377	12,818	10,364	686	120,715	17,259	31,651
11	1933	23,743	31,368	11,560	9,435	665	112,319	15,032	27,879
12	1934	23,676	36,966	12,950	10,080	723	126,118	16,331	29,795
13	1935	23,652	38,808	13,509	9,721	770	133,745	16,645	30,235
14	1936	23,554	43,451	14,814	10,099	831	145,488	17,022	31,926
15	1937	23,707	47,038	15,165	10,888	953	153,796	18,945	33,662
16	1938	23,684	40,578	14,505	10,289	892	139,770	18,097	32,172
17	1939	23,668	45,691	17,084	10,145	875	160,255	17,817	33,912
18	1940	23,603	55,060	21,532	11,294	1,125	194,562	21,702	41,253
19	1941	23,525	65,370	27,200	17,681	1,762	239,592	31,894	50,008
20	1942	23,494	71,545	31,729	30,363	2,708	288,462	48,297	60,466
21	1943	23,494	80,427	36,327	34,501	3,619	324,900	66,891	93,491
22	1944	23,496	80,851	36,016	35,928	3,697	321,589	69,776	97,395
23	1945	23,498	79,941	34,600	30,371	3,338	316,533	65,200	94,187
24	1946	23,437	78,950	30,812	22,320	2,289	300,313	50,128	78,584
25	1947	23,402	86,221	32,945	21,227	1,845	342,582	43,018	72,991
26	1948	23,401	85,241	32,943	20,083	1,755	393,544	41,562	73,816
27	1949	23,902	76,846	30,922	18,678	1,621	394,424	43,287	79,335
28	1950	24,188	81,365	31,988	16,820	1,408	445,790	39,889	78,531
29	1951	24,176	89,618	36,435	17,323	1,611	498,800	47,476	90,927
30	1952	24,190	90,054	38,430	18,883	1,635	536,723	48,466	98,618
31	1953	24,153	86,523	36,678	18,081	1,539	553,618	45,916	99,365
32	1954	24,155	79,338	32,882	17,859	1,472	502,831	43,757	94,848
33	1955	24,231	87,607	35,677	16,811	1,464	539,028	43,930	96,783
34	1956	24,271	99,034	41,935	15,989	1,501	612,767	45,843	108,399
35	1957	24,282	88,881	36,674	13,920	1,499	587,274	46,818	110,371
36	1958	24,882	79,486	35,077	12,737	1,269	545,231	41,493	102,849
37	1959	24,888	82,036	35,542	12,694	1,272	573,242	40,191	106,966
38	1960	24,945	77,689	34,011	13,308	1,208	526,212	38,323	103,793
39	1961	24,854	76,023	34,723	12,105	1,076	513,949	34,793	97,988
40	1962	24,753	78,385	35,595	12,444	1,044	529,308	34,332	100,871
41	1963	24,710	84,078	40,171	13,599	1,189	552,221	34,492	99,349

See notes on page 771.

TABLE 5.—OPERATING STATISTICS

CANADIAN NATIONAL RAILWAYS

Railway operating revenues	Railway operating expenses ¹	Freight train miles ³	Passenger train miles ^{3,4}	Average per mile of road operated				No.
				Revenue freight ton miles ⁵	Revenue passenger miles	Operating revenue	Operating expenses	
\$'000		'000				dollars		
256,962	235,838	36,939	23,914	853,703	66,350	11,784	10,816	1
239,597	221,622	32,749	24,145	774,372	62,761	10,958	10,135	2
249,412	216,290	33,181	24,619	818,150	62,908	11,370	9,860	3
270,982	223,561	35,217	24,915	868,315	65,140	12,279	10,130	4
274,879	233,305	36,450	25,929	872,402	66,827	12,386	10,513	5
304,591	249,732	38,949	26,900	1,008,634	67,974	13,673	11,210	6
290,497	248,632	35,913	27,104	851,279	61,920	12,838	10,988	7
250,968	228,802	31,479	27,664	711,187	51,342	10,612	9,674	8
200,515	199,313	27,178	24,631	611,609	36,428	8,436	8,385	9
161,104	155,208	24,441	19,890	537,138	28,862	6,777	6,529	10
148,520	142,813	22,275	18,536	484,397	28,007	6,255	6,015	11
164,903	151,936	24,766	18,402	544,722	30,540	6,965	6,417	12
173,185	158,926	25,586	18,639	568,318	32,557	7,322	6,719	13
186,610	171,478	28,313	18,174	625,956	35,292	7,923	7,280	14
198,397	180,789	29,858	19,285	636,718	40,218	8,369	7,626	15
182,242	176,165	27,853	18,723	609,720	37,646	7,695	7,439	16
203,820	182,966	29,707	18,678	718,554	36,987	8,611	7,731	17
247,527	202,520	34,571	19,172	908,158	47,655	10,487	8,580	18
304,377	237,768	40,365	20,770	1,151,306	74,898	12,938	10,107	19
375,655	288,999	42,720	22,598	1,345,174	115,258	15,989	12,301	20
440,616	324,476	44,871	23,820	1,540,070	154,029	18,754	13,811	21
441,148	362,547	45,206	24,217	1,526,753	157,326	18,775	15,430	22
433,773	355,294	43,382	24,600	1,472,423	142,061	18,460	15,119	23
400,586	357,237	41,817	23,581	1,314,663	97,667	17,092	15,242	24
438,198	397,123	44,028	23,346	1,407,799	78,824	18,725	16,970	25
491,270	464,740	44,983	23,901	1,407,783	74,992	20,994	19,859	26
500,723	478,502	43,161 ⁶	23,740 ⁶	1,288,376	67,812	20,949	20,019	27
553,832	493,997	45,459	22,387	1,317,500	58,198	22,897	20,423	28
624,834	580,150	48,353	24,413	1,501,578	66,642	25,845	23,997	29
675,219	634,853	49,542	25,534	1,584,763	67,598	27,913	26,244	30
696,622	659,049	46,883	24,949	1,513,672	63,712	28,842	27,287	31
640,637	626,465	41,691	24,316	1,356,505	60,926	26,521	25,935	32
683,089	629,013	43,129	23,560	1,466,853	60,404	28,190	25,959	33
774,801	728,009	47,945	24,268	1,721,343	61,842	31,923	29,995	34
753,166	765,214	42,073	23,820	1,504,385	61,719	31,017	31,101	35
704,947	719,212	37,507	23,075	1,404,774	50,993	28,332	28,905	36
740,165	741,852	37,754	22,394	1,423,304	51,115	29,740	29,808	37
693,141	705,818	34,379	21,292	1,358,680	48,443	27,787	28,295	38
710,305	722,148	34,042	19,577	1,397,069	43,283	28,579	29,055	39
738,325	738,883	34,283	18,097	1,438,003	42,184	29,827	29,850	40
762,350	752,830	35,797	17,080	1,625,733	48,121	30,852	30,467	41

TABLE 5—OPERATING STATISTICS—Concluded

DOMINION BUREAU OF STATISTICS

No.	Year	Average per freight train mile		Average per passenger train mile		Average ton miles per loaded car mile ⁷	Average haul revenue freight	Average passenger journey miles ⁸
		Revenue freight ton miles ⁵	Freight revenue	Revenue passenger miles	Passenger train revenues ¹			
		\$		\$				
1	1923.....	502	5.01	60.50	2.49	25.59	325.2	61.1
2	1924.....	517	5.22	56.84	2.38	24.85	322.5	60.4
3	1925.....	541	5.44	56.05	2.31	24.75	327.8	63.7
4	1926.....	544	5.68	57.70	2.36	24.55	316.3	66.6
5	1927.....	531	5.54	57.20	2.31	24.67	314.0	72.2
6	1928.....	577	5.87	56.29	2.29	25.20	326.6	76.9
7	1929.....	536	5.98	51.69	2.22	23.89	297.1	72.8
8	1930.....	534	5.83	43.89	1.93	23.78	300.9	69.2
9	1931.....	535	5.48	35.15	1.65	24.13	356.2	65.6
10	1932.....	522	4.94	34.50	1.59	24.97	272.9	66.2
11	1933.....	516	5.04	35.87	1.50	24.34	308.2	70.5
12	1934.....	521	5.09	39.29	1.62	24.32	359.3	71.7
13	1935.....	525	5.23	41.31	1.62	23.99	348.1	76.2
14	1936.....	520	5.14	45.74	1.71	24.11	349.9	82.3
15	1937.....	505	5.15	49.44	1.75	23.25	322.4	87.6
16	1938.....	518	5.02	47.62	1.72	24.43	357.5	86.7
17	1939.....	572	5.39	46.87	1.76	25.97	373.0	86.3
18	1940.....	620	5.63	58.67	2.15	27.47	391.1	100.4
19	1941.....	674	5.93	84.83	2.41	28.32	416.1	99.7
20	1942.....	743	6.75	119.83	3.07	30.00	443.5	86.2
21	1943.....	810	7.24	151.92	3.92	32.56	451.7	104.9
22	1944.....	797	7.11	152.64	4.02	32.07	445.5	102.6
23	1945.....	798	7.30	135.70	3.83	31.83	432.8	106.9
24	1946.....	737	7.18	97.07	3.33	29.31	399.3	102.6
25	1947.....	748	7.78	79.01	3.13	29.54	382.1	86.9
26	1948.....	732	8.75	73.42	3.09	29.60	386.4	87.3
27	1949.....	714 ⁴	9.06 ⁴	66.75 ⁴	3.29 ⁴	28.91 ⁴	402.4	86.8
28	1950.....	704	9.81	62.88	3.51	28.64	393.2	83.7
29	1951.....	754	10.32	66.00	3.72	29.89	406.6	93.0
30	1952.....	776	10.83	64.04	3.86	30.65	426.8	86.8
31	1953.....	782	11.81	61.70	3.98	30.03	423.9	85.1
32	1954.....	789	12.06	60.53	3.90	29.46	414.5	82.4
33	1955.....	827	12.50	62.13	4.11	29.53	407.2	87.1
34	1956.....	875	12.78	61.85	4.45	31.22	428.4	93.9
35	1957.....	872	13.96	62.92	4.64	30.42	412.6	107.7
36	1958.....	935	14.54	54.98	4.45	30.64	441.3	99.6
37	1959.....	941	15.18	56.81	4.74	31.14	433.3	100.2
38	1960.....	989	15.31	56.75	4.87	31.53	437.8	100.0
39	1961.....	1,020	15.10	54.95	4.97	32.28	456.7	88.9
40	1962.....	1,038	15.44	57.70 ⁴	5.57	32.53	454.1	83.9 ⁴
41	1963.....	1,122	15.43	69.62	5.82	34.51	477.5	87.4

See notes on page 771.

TABLE 5—OPERATING STATISTICS—Concluded
CANADIAN NATIONAL RAILWAYS

Average revenue				Number of employees ^a	Total pay roll	Pay roll charged to operating expenses	Ratio of operating pay roll to revenues	Ratio of operating expenses to revenues	No.
Per ton of freight	Per passenger	Per ton mile	Per passenger mile						
dollars		cents			\$'000		per cent		
3.24	1.66	.995	2.715	107,007	153,884	137,457	53.49	91.78	1
3.26	1.64	1.010	2.713	101,489	145,622	129,423	54.02	92.50	2
3.28	1.69	1.001	2.654	98,382	143,963	129,790	52.04	86.72	3
3.29	1.77	1.039	2.650	102,890	151,945	135,225	49.90	82.50	4
3.26	1.88	1.038	2.601	103,540	159,250	140,457	51.10	84.88	5
3.30	1.99	1.011	2.585	107,602	168,728	149,790	49.18	81.99	6
3.29	1.93	1.108	2.650	109,096	173,079	151,494	52.15	85.59	7
3.36	1.87	1.086	2.710	101,046	159,981	143,348	57.12	91.17	8
3.57	1.76	1.020	2.679	91,416	139,785	126,951	63.32	99.41	9
3.51	1.67	.942	2.515	76,616	106,912	99,693	61.88	96.34	10
3.58	1.59	.972	2.261	70,625	95,632	89,631	60.35	96.16	11
3.41	1.62	.974	2.259	74,774	98,408	91,987	55.78	92.14	12
3.45	1.71	.990	2.162	75,053	104,862	96,815	55.90	91.77	13
3.35	1.69	.982	2.048	78,836	111,221	102,534	54.94	91.89	14
3.27	1.74	1.014	1.987	79,471	117,805	108,301	54.59	91.12	15
3.44	1.76	.964	2.030	74,953	116,526	107,870	59.19	96.67	16
3.51	1.76	.938	2.035	78,129	122,354	112,494	55.19	89.77	17
3.53	1.94	.904	1.929	82,831	132,584	121,146	48.94	81.82	18
3.67	1.80	.881	1.810	89,536	153,654	140,442	46.15	78.12	19
4.03	1.59	.909	1.784	94,592	177,043	161,592	43.02	76.93	20
4.04	1.94	.894	1.848	101,126	195,555	181,351	41.16	73.64	21
3.98	1.94	.893	1.888	102,764	222,649	206,392	46.78	82.18	22
3.96	2.15	.915	1.953	105,624	220,508	204,689	47.19	81.91	23
3.80	2.25	.957	2.190	105,353	237,336	220,738	55.10	89.18	24
3.97	2.03	1.040	2.332	108,440	258,338	239,057	54.55	90.63	25
4.62	2.07	1.195	2.368	111,072	305,398	280,749	57.15	94.60	26
5.13	2.32	1.276	2.671	111,806	311,042	284,515	56.82	95.56	27
5.48	2.37	1.394	2.834	112,874	318,208	295,666	53.39	89.20	28
5.57	2.74	1.369	2.947	121,199	381,654	350,713	56.13	92.85	29
5.96	2.57	1.397	2.964	127,930	405,541	379,352	56.18	94.02	30
6.40	2.54	1.509	2.984	126,477	447,744	402,446	57.77	94.61	31
6.34	2.45	1.529	2.973	118,949	410,658	374,845	58.51	97.79	32
6.15	2.61	1.511	3.001	116,853	411,606	375,643	54.99	92.08	33
6.19	2.87	1.461	3.054	124,034	463,843	423,597	54.67	93.96	34
6.61	3.36	1.601	3.124	121,974	471,390	427,814	56.80	100.27	35
6.86	3.26	1.554	3.270	110,559	451,543	410,113	58.18	102.02	36
6.99	3.17	1.613	3.159	109,061	469,893	422,119	57.03	100.23	37
6.77	3.19	1.547	3.171	101,799	442,002	400,201	57.74	101.83	38
6.78	2.87	1.480	3.234	97,274	450,418	412,485	58.07	101.67	39
6.75	2.76 ^c	1.487	3.288 ^c	95,775	453,826	412,181 ^c	55.78 ^c	100.08	40
6.57	2.54	1.375	2.901	90,639	459,431	418,626	55.61	98.75	41

DOMINION BUREAU OF STATISTICS

NOTES

Table 1

¹ Includes the Central Vermont Railway, Inc., from February 1, 1930; the Newfoundland Railway, Steamship and Telegraph Services from April 1, 1949; The Temiscouata Railway from January 1, 1950; the Quebec Railway, Light and Power Company (Montmorency Division) from November 1, 1951; the Hudson Bay Rly. from Jan. 1, 1958; the Northwest Communication System from April 1, 1958; the Yukon Telephone Co. from Oct. 1, 1958; and the Yellowknife Telephone Co. from Jan. 1, 1961.

² Includes railway, express and commercial communications throughout, and highway transport operations from 1956. In accordance with the Uniform Classification of Accounts, adopted January 1, 1956, taxes and rents are included in operating expenses from that year.

³ Includes Newfoundland water services.

⁴ Net Income Deficit includes appropriations for Insurance Fund of \$12,980,381 and excludes interest on Government Loans eliminated by Capital Revision Act, 1937.

⁵ Includes the Profit and Loss deficits which, with the interest on Government Loans were eliminated December 31, 1936, by the Capital Revision Act 1937, as follows:

	At Dec. 31, 1922	Fourteen years 1923-36	Adjustments: Dom. Govt. ry. accts. & Dom. Govt. int.	In dispute	Total	Pd. per col. 8 Table 3 1927-36	Eliminated by capital Revision Act 1937
				dollars			
Deficits.....	165,623,098	492,719,862	-103,247	—	658,239,713	284,416,593	373,823,120
Interest.....	69,328,803	467,943,248	-6,439,453	43,949,039	574,781,637	—	574,781,637

⁶ Charged or credited to "Proprietor's Equity".

⁷ Contributed by or paid to the Government of Canada.

⁸ Paid to Government of Canada as a dividend on 4 p.c. preferred stock.

Table 2

¹ Dates constituent lines were taken over:—Canadian Northern, Sept. 26, 1917; Grand Trunk Pacific, March 10, 1919; Grand Trunk, May 21, 1920; Canadian Govt. Rys., March 31, 1919; (Actual date of transfer Nov. 20, 1918).

² Exclusive of \$14,529,707 for Hudson Bay Railway on March 31, 1919. Appropriation to December 31, 1922, included in total for 1922.

³ Deduction for Hudson Bay Railway \$15,245,889.

⁴ Annual report includes Central Vermont funded debt amounting to \$9,902,865 and capital stock of \$807,600 which are excluded here.

⁵ Current liabilities—Loans and bills payable—Minister of Finance are included for 1929, 1930 and 1933.

⁶ Reduced by purchase through the Governments of Canada and the United Kingdom of securities held in the United Kingdom and Canada.

⁷ Acquisition of control of Atlantic and St. Lawrence Railroad and reduction of stock of other subsidiaries held by the public caused a net increase.

⁸ For a detailed explanation of the "Capital Revision Act" 1952 see pages 3-5 of the 1923-52 report.

Table 3

¹ Includes temporary Govt. loans shown in annual reports as "Loans and Bills payable—Minister of Finance" and Govt. loans exchanged for 4% preferred stock under Capital Revision Act, 1952.

² Excludes to Dec. 31, 1954 net credit for property transferred to or from Governmental departments—\$53,474,350.

³ Includes deficits for Eastern Lines from July 1, 1927, and for entire system from January 1, 1932.

⁴ System (less Eastern Lines) deficit for 1932 of \$53,422,662 was paid in 1933, the remaining \$783,220 being secured from working capital.

⁵ Includes—amount charged against Shareholder's Equity covering insufficiency in reserve for depreciation arising from the early retirement of steam locomotives, 1958: \$7,000,000, 1959: \$2,903,150, 1960: \$26,651,968.

Table 4

¹ Years 1923-63 capital expenditures recorded on a "net" basis.

² Includes cost of acquiring control of Atlantic and St. Lawrence Railroad Company.

³ During the year, adjustments totalling \$173,302,045 were made increasing the book values of properties and equipment with a corresponding increase in recorded depreciation to record amounts not included in these accounts under previous accounting policies. Without making a physical appraisal it is not feasible to determine the amount of depreciation accruing prior to the adoption of depreciation accounting; the foregoing adjustments have the effect of providing in part for such depreciation.

Table 5

¹ Includes gross express revenue on Canadian Lines.

² Includes railway, express and commercial communications throughout and highway transport operations since 1956. In accordance with the Uniform Classification of Accounts, adopted January 1, 1956, taxes and rents are included in operating expenses from that year.

³ Includes portion of mixed train miles.

⁴ Includes unit car miles.

⁵ Excludes ton miles on car ferries, etc.

⁶ Does not include Newfoundland district.

⁷ Revenue and non-revenue freight.

* Includes Railway, Express, Telegraph, Excludes Hotels and Subsidiary Company.

The number of employees for 1963 is based on an average derived from the total employees who worked seven days or more in each semi-monthly pay period divided by two, plus all persons on monthly payroll. Under the previous method of counting the 1963 average was 93,872.

' Revised

TABLE 8.—GROSS EARNINGS, 1959-63

	1959	1960	1961	1962	1963
	dollars				
Operating revenues:					
Railway line:					
Freight.....	1,058,009,762	992,739,695	1,012,969,006	1,019,548,627	1,067,288,540
Passenger.....	73,587,794	69,154,309	61,229,591	60,616,581	59,540,625
Baggage.....	287,034	307,093	275,504	269,608	187,777
Sleeping, parlour and chair car.....	10,766,016	10,227,842	8,587,575	9,841,354	8,581,477
Mail.....	17,679,091	17,432,364	16,905,032	16,333,763	15,477,779
Express.....	23,069,446	21,779,676	16,121,148	17,568,697	14,796,250
Other passenger train.....	21,169	27,793	24,537	17,533	22,573
Milk.....	258,384	193,789	167,383	119,624	140,155
Switching.....	8,203,102	7,728,402	7,135,785	7,604,615	7,088,225
Water transfers—Freight.....	1,756,263	1,733,109	1,626,927	1,630,032	1,802,888
Passenger.....	173,500	179,100	186,100	213,399	222,299
Totals.....	1,193,791,561	1,121,503,172	1,125,228,588	1,132,763,863	1,175,409,000
Incidental:					
Dining and buffet car.....	7,201,090	7,008,090	6,120,676	7,190,275	7,608,677
News service and restaurant.....	3,761,426	3,573,583	3,235,191	3,326,077	3,472,600
Station, train, etc. privileges.....	652,218	637,415	656,740	631,158	583,225
Storage—Parcels and baggage.....	137,850	100,104	77,865	86,225	63,777
Freight.....	422,494	329,986	416,892	338,226	314,777
Demurrage.....	3,878,475	3,681,627	3,169,844	3,363,408	3,601,555
Grain elevators.....	1,637,512	1,537,607	1,730,377	1,288,843	1,882,225
Wharves.....	1,906,808	2,082,169	2,077,067	1,701,894	1,712,777
Rents of buildings, etc.....	3,460,756	3,627,231	3,803,741	3,701,518	4,461,555
Other.....	7,531,056	7,487,538	10,061,031	11,081,594	11,535,999
Totals.....	30,589,685	30,035,340	31,239,424	32,609,218	34,856,600
Joint facilities, Cr. balance.....	186,682	116,944	12,688	Dr. 76,359	Dr. 55,111
Total railway operating revenues..	1,224,567,928	1,151,655,456	1,156,480,700	1,165,296,722	1,210,300,700
Operating expenses:					
Road maintenance.....	259,958,839	243,990,846	243,445,087	239,480,721	242,449,000
Equipment maintenance.....	256,775,320	249,473,225	249,354,157	250,178,628	250,098,000
Traffic.....	29,140,473	28,866,434	29,027,607	29,622,796	30,067,000
Transportation—Railway line.....	443,292,012	424,924,203	423,367,291	424,859,293	427,697,000
Miscellaneous operations.....	14,737,322	14,506,521	13,595,042	13,476,328	14,787,000
General expenses.....	99,167,863	88,863,980	94,960,331	101,758,052	105,810,000
Totals.....	1,103,125,629	1,060,625,219	1,053,749,515	1,058,970,734	1,061,418,000
Equipment rents—Dr.....	2,127,318	Cr. 1,615,965	Cr. 1,236,788	1,704,868	594,000
Joint facility rents—Dr.....	905,318	572,633	716,479	894,278	1,065,000
Railway tax accruals.....	60,148,564	59,888,539	61,203,319	58,092,192	66,452,000
Total railway operating expenses..	1,166,306,724	1,109,470,426	1,114,432,525	1,119,662,072	1,149,530,000

TABLE 9.—OPERATING STATISTICS, 1959-63

	1959	1960	1961	1962	1963
Average first main track mileage.....	45,199	45,085	44,936	44,815	44,738
Locomotive miles:					
Steam:					
Freight.....	6,808,200	601,910	31,677	—	—
Passenger.....	2,842,106	393,283	303	—	—
Train switching.....	495,291	50,851	—	—	—
Yard switching.....	1,578,154	627,406	172,003	—	—
Total transportation service.....	11,721,751	1,673,450	203,983	—	—
Work train service.....	686,965	165,334	2,225	—	—
Diesel:					
Freight.....	63,662,881	64,342,704	61,362,516	61,311,000	63,871,156
Passenger.....	29,104,784	28,006,632	25,161,665	23,752,530	22,813,495
Train switching.....	3,461,220	3,620,276	3,332,998	3,314,788	3,261,339
Yard switching.....	26,911,225	25,972,344	25,073,403	24,873,129	24,939,560
Total transportation service.....	122,140,110	121,941,956	114,930,582	113,251,447	114,885,550
Work train service.....	2,965,114	2,352,258	2,231,688	1	1
Other:					
Freight.....	116,344	126,679	102,738	35,152	27,114
Passenger.....	158,361	136,769	188,773	251,197	270,225
Train switching.....	102,645	91,266	64,116	—	6
Yard switching.....	138,172	75,814	62,847	65,970	57,264
Total transportation service.....	515,522	430,528	418,474	352,319	354,609
Work train service.....	963	—	—	—	—
Total:					
Freight.....	70,585,425	65,071,293	61,496,931	61,346,152	63,898,270
Passenger.....	32,105,251	28,536,684	25,350,741	24,003,727	23,083,720
Train switching.....	4,059,156	3,762,393	3,397,114	3,314,788	3,261,345
Yard switching.....	27,627,551	26,675,564	25,308,253	24,939,099	24,996,824
Grand total transportation service.....	134,377,383	124,045,934	115,553,039	113,603,766	115,240,159
Grand total work train service.....	3,673,042	2,507,592	2,233,913	1	1
Train miles:					
Freight—Drawn by locomotive.....	68,351,068	63,887,230	60,592,587	60,307,977	62,639,073
Passenger—Drawn by locomotive. . .	31,470,367	27,869,238	25,017,043	23,369,055	22,426,461
Drawn by self-propelled car.....	6,741,943	6,623,714	6,113,625	5,848,198	5,813,023
Total.....	38,212,310	34,492,952	31,130,668	29,217,253	28,239,484
Total transportation service.....	106,563,378	98,890,182	91,723,255	89,525,230	90,878,557
Work train service.....	3,248,722	2,443,096	2,003,554	2,085,116	2,309,955
Freight car miles—Transportation service:					
In freight trains:					
Freight loaded.....	2,105,287,849	2,028,846,873	1,996,837,285	2,003,297,777	2,103,242,993
Freight empty.....	1,148,347,366	1,156,562,477	1,176,025,443	1,190,733,466	1,297,171,950
Caboose.....	68,531,468	64,414,510	61,722,930	62,143,573	64,660,810
Totals.....	3,322,166,683	3,249,823,860	3,234,585,658	3,256,174,816	3,465,075,753
In passenger trains—Transportation service.....	5,311,417	5,920,116	6,426,964	6,064,469	7,351,545
Total transportation service.....	3,327,478,100	3,255,743,976	3,241,012,622	3,262,259,285	3,472,427,298
Work train service.....	13,229,403	12,104,988	10,332,405	8,633,201	10,366,143

¹Discontinued 1962. Detail not considered statistically useful.

23800—6½

TABLE 9.—OPERATING STATISTICS, 1959-63—Continued

	1959	1960	1961	1962	1963
Passenger car miles—Transportation service:					
In passenger trains:					
Locomotive drawn:					
Self-propelled car.....	116,650	139,162	100,849	63,557	128,650
Coach (including colonist).....	75,984,243	71,624,451	63,329,286	58,475,251	58,475,251
Sleeping, parlour and observation.....	97,344,470	90,602,948	75,457,789	73,044,274	73,044,274
Dining.....	15,388,461	15,047,731	12,896,781	13,099,262	14,288,461
Express.....	80,479,871	70,753,773	66,845,328	63,705,209	58,475,251
Other head-end.....	61,955,123	55,458,496	54,246,296	51,700,082	49,684,581
Other.....	2,279,848	2,143,957	1,930,960	2,099,628	1,901,156
Totals.....	332,658,966	305,780,398	274,747,269	261,256,463	263,201,104
Self-propelled car drawn:					
Self-propelled.....	10,872,958	10,624,806	10,148,251	10,027,462	9,982,500
Coach (including colonist).....	663,008	851,265	796,666	814,984	804,100
Sleeping, parlour and observation.....	—	—	—	—	—
Dining.....	—	—	—	—	—
Express.....	18,414	27,854	2,784	378	8,500
Other head-end.....	9,960	4,724	1,902	308	—
Other.....	—	156	139	74	156
Totals.....	11,554,340	11,508,807	10,949,742	10,843,206	10,864,800
Total drawn (locomotive and motor unit car):					
Self-propelled car.....	10,989,608	10,763,970	10,249,100	10,091,019	10,115,200
Coach (including colonist).....	76,637,251	72,475,716	64,125,952	59,290,235	59,290,235
Sleeping, parlour and observation.....	97,344,470	90,602,948	75,457,789	72,044,274	71,200,461
Dining.....	15,388,461	15,047,731	12,896,781	13,099,262	14,288,461
Express.....	80,498,285	70,731,627	66,848,112	63,705,587	58,475,251
Other head-end.....	61,075,383	55,473,130	54,218,198	51,769,390	49,684,581
Other.....	2,279,848	2,144,113	1,931,099	2,099,702	1,901,156
Totals.....	344,213,306	317,289,205	285,697,011	273,099,669	263,201,104
In freight trains—Transportation service:					
Totals transportation service....	23,337,961	27,706,623	26,215,396	24,850,002	23,711,100
Totals transportation service....	367,551,267	344,995,828	311,912,407	296,949,671	285,942,200
Work train service.....	36,558	7,144	4,366	3,398	13,200
Averages:					
Locomotive miles in transportation service per mile of road.....	2,973	2,751	2,572	2,635	2,500
Train miles in transportation service per mile of road.....	2,358	2,182	2,041	1,998	2,000
Loaded freight cars per freight train...	30.80	31.76	32.96	33.22	33.00
Empty freight cars per freight train...	16.80	18.10	19.41	19.74	20.00
Total freight train cars per freight train.....	48.60	50.87	53.38	53.99	53.00
Passenger train cars per passenger train drawn by locomotive.....	10.57	10.97	10.98	11.18	11.00
Passenger cars per passenger train drawn by locomotive.....	5.51	5.83	5.55	5.59	5.00
Freight traffic—Revenue freight (tons—2,000 lb.):					
Originated on Canadian railways.....	140,504,572	133,854,651	131,127,797	138,435,127	148,834,300
Received from U.S. connections.....	25,590,577	24,607,483	21,952,520	22,465,214	22,801,800
Total tons originated.....	166,095,149	158,462,134	153,080,317	160,900,341	171,735,800
Interchanged between Canadian railways.....	20,107,417	20,374,634	21,358,057	21,908,835	21,617,000
Total tons.....	186,202,566	178,836,768	174,518,404	182,809,176	193,352,800
Tons carried one mile.....'000	67,956,540	65,434,784	65,828,403	67,937,162	75,796,000
Tons originated per mile of road.....	3,675	3,515	3,407	3,591	3,800
Tons carried one mile (rail line) per mile of road.....	1,503,362	1,451,410	1,464,492	1,515,811	1,694,000
Average miles hauled per revenue ton—All railways ¹	409	413	430	422	440

¹ Discontinued 1962. Detail not considered statistically useful.

TABLE 9.—OPERATING STATISTICS, 1959-63—Continued

	1959	1960	1961	1962	1963
Freight traffic—Revenue and non-revenue freight (tons—2,000 lb.)¹					
Tons carried.....	198,478,611	188,374,920	183,337,077	194,203,150	205,877,076
Tons carried one mile.....'000	70,259,613	67,325,782	67,630,310	69,686,371	77,620,128
Tons per loaded car mile in transportation service (revenue and non-revenue).....'000	33.31	33.11	33.79	34.71	36.81
Gross ton miles—Freight train cars.....'000	148,159,968	146,062,923	145,388,910	148,190,351	161,029,748
Gross ton miles—Passenger train cars.....'000	24,901,935	22,801,891	20,444,377	19,794,222	19,464,049
Totals.....'000	173,061,903	168,864,815	165,833,287	167,984,573	180,493,797
Gross ton miles per freight train mile..	2,168	2,286	2,399	2,457	2,571
Gross ton miles (transportation service) per mile of road.....	3,828,888	3,745,477	3,690,433	3,748,401	4,034,463
Train hours—Freight service.....	3,454,714	3,152,478	2,898,801	2,827,247	3,132,623
Passenger traffic¹					
Passengers carried.....	20,939,928	19,497,233	18,783,732	19,257,772	20,635,664
Passengers carried one mile.....'000	2,445,654	2,263,795	1,960,591	2,018,842	2,069,565
Passengers carried per mile of road.....	463	432	418	430	461
Passengers carried one mile per mile of road.....	54,109	50,212	43,631	45,048	46,260
Average number of passengers per passenger train car in transportation service.....	7	7	6	7	7
Average number of passengers per passenger car in transportation service..	13	13	13	14	14
Average passenger journey.....	116.8	116.1	104.4	104.8	100.3
Freight revenues—Rail line¹					
Freight receipts.....\$	1,058,009,762	992,739,695	1,012,969,006	1,019,548,627	1,067,288,649
Switching receipts.....\$	8,203,102	7,728,402	7,135,785	7,604,645	7,088,936
Other freight train receipts and water transfers.....\$	1,756,263	1,733,109	1,626,927	1,630,032	1,802,681
Total freight revenues.....\$	1,067,969,127	1,002,201,206	1,021,731,718	1,028,783,304	1,076,180,266
Average freight revenue per mile of road.....\$	23,628	22,229	22,737	22,956	24,055
Average freight receipts per mile of road.....\$	23,408	22,019	22,542	22,750	23,856
Average freight receipts per freight train mile.....\$	15.48	15.54	16.72	16.91	17.04
Average freight receipts per loaded freight car mile in transportation service.....¢	50.16	48.82	50.61	50.78	50.61
Average freight receipts per ton originated.....\$	6.37	6.26	6.62	6.34	6.21
Average freight receipts per ton mile.....¢	1.557	1.517	1.539	1.501	1.408
Passenger revenues—Rail line:					
Passenger receipts.....\$	73,587,794	69,154,309	61,229,591	60,616,581	59,540,654
Sleeper, parlour and chair car receipts.....\$	10,766,016	10,227,842	8,587,575	8,841,254	8,381,417
Baggage.....\$	267,034	307,093	275,504	269,608	187,377
Mail.....\$	17,679,091	17,432,364	16,905,032	16,333,763	15,947,761
Express.....\$	23,069,446	21,779,676	16,121,148	17,568,697	14,796,200
Milk.....\$	258,384	193,789	187,383	119,624	130,150
Other passenger train revenue and water transfers.....\$	194,669	206,893	210,637	230,932	245,179
Total passenger train revenues...\$	125,822,434	119,301,966	103,496,870	103,980,559	99,228,738
Average passenger train revenue per mile of road.....\$	2,783.74	2,646.16	2,303.21	2,320.02	2,218.00
Average passenger train revenue per passenger train mile.....\$	3.29	3.46	3.32	3.56	3.51

¹ Computed by dividing total ton-miles by tons of freight originated.

TABLE 9.—OPERATING STATISTICS, 1959-63—Concluded

	1959	1960	1961	1962	1963
Passenger Revenues—Concluded					
Average passenger train revenue per passenger train car in transportation service..... c	34.23	34.54	33.19	35.42	34.70
Average passenger receipts per passenger per railway..... \$	3.51	3.55	3.26	3.35	2.89
Average passenger receipts per passenger mile..... ¢	3.01	3.05	3.12	3.00	2.88
Average passenger receipts per passenger car in transportation service..... c	38.45	38.52	39.57	41.55	41.17
Average sleeper, etc., receipts per sleeper, etc. car miles..... ¢	11.03	11.26	11.31	12.19	11.69
Gross earnings from operation, rail and water:					
Freight, switching, rail and water..... \$	1,067,969,127	1,002,201,206	1,021,731,718	1,028,783,804	1,076,130,299
Passenger: rail and water..... \$	125,822,434	119,301,966	103,496,870	106,880,559	96,108,708
Other earnings from operation..... \$	30,776,367	30,152,284	31,252,112	32,592,859	34,886,768
Totals..... \$	1,224,567,928	1,151,655,456	1,156,480,700	1,168,257,222	1,210,125,775
Operating expenses..... \$	1,166,306,724	1,109,470,426	1,114,432,525	1,116,682,072	1,146,530,526
Net operating revenue..... \$	58,261,204	42,185,030	42,048,175	45,634,650	60,675,247
Operating ratio..... %	95.24	96.34	96.36	98.08	94.95
Gross earnings per mile of road..... \$	27,093	25,544	25,736	26,002	27,081
Gross earnings per revenue train mile. \$	11.49	11.71	12.61	13.02	13.30

TABLE 10.—TAXES, 1959-63

	1959	1960	1961	1962	1963
dollars					
Provincial and municipal:					
Newfoundland.....	25,350	31,073	32,768	20,245	35,817
Prince Edward Island.....	15,062	5,505	5,601	5,494	5,564
Nova Scotia.....	135,421	144,755	140,359	260,278	165,214
New Brunswick.....	477,771	516,399	361,625	405,431	429,270
Quebec.....	5,608,360	5,312,696	5,216,070	7,052,998	7,256,175
Ontario.....	6,218,050	6,526,949	6,733,410	8,197,368	7,587,447
Manitoba.....	507,196	1,427,962	1,562,094	1,585,468	1,588,555
Saskatchewan.....	1,257,310	1,330,799	1,308,843	1,400,007	1,434,944
Alberta.....	1,059,085	1,070,398	1,140,957	1,171,552	1,212,322
British Columbia.....	2,208,256	2,426,545	2,653,397	2,479,891	2,556,488
Yukon.....	23,496	28,394	19,247	28,540	682,474
Income and excise tax.....	34,812,379	31,823,040	33,511,027	26,477,599	34,573,871
Unemployment insurance.....	4,550,421	5,909,725	5,602,066	5,483,198	5,795,441
Other special tax.....	161,013	116,285	124,885	643,123	588,402
Outside Canada.....	3,161,974	3,315,072	2,926,115	2,982,744	2,875,499
Totals.....	60,221,144	59,985,657	61,278,974	58,163,860	66,526,068
Taxes paid by railway bridge companies.....	43,303	14,423	12,096	9,385	26,298
Taxes paid by pullman company.....	—	—	—	—	—
Grand totals.....	60,264,447	60,000,080	61,291,070	58,173,245	66,552,366

¹ Includes taxes on Lake Erie and Detroit River Railway which are paid as rent by the Chesapeake and Ohio Railway (Pere Marquette District.)

² Includes \$660,000 Provision for possible taxation on Crown properties.

³ Includes \$495,000 Provision for possible taxation on Crown properties.

⁴ Public improvement assessments on joint projects.

TABLE 11.—TRAFFIC CARRIED, 1959-63

	1959	1960	1961	1962	1963
	tons (2,000 lb.)				
Products of agriculture:					
Wheat.....	13,794,365	13,293,302	15,155,289	13,403,510	16,311,535
Corn.....	845,755	844,471	838,465	1,046,821	966,449
Sorghum grains.....	9,396	23,144	35,491	18,305	13,525
Oats.....	1,372,154	1,186,626	962,668	935,985	1,556,288
Barley.....	3,272,853	2,657,617	2,710,432	1,740,092	2,189,993
Rye.....	149,493	141,647	142,393	207,256	180,329
Rice.....	27,478	38,167	39,457	57,484	61,971
Grain, n.o.s.....	26,194	47,354	61,093	78,613	52,314
Flour, wheat.....	1,689,048	1,639,965	1,460,964	1,504,838	1,545,738
Meal, corn.....	14,802	18,696	20,031	19,457	19,461

APPENDIX "P"

ROUGH DRAFT OF BRIEF TO BE SUBMITTED TO
"STANDING COMMITTEE"

The Medicine Hat Chamber of Commerce joins with other groups in welcoming your committee to our city and province.

1. In the presentation of our brief gentlemen, we are giving you our opinions only. We do not have the resources to bring forth the results of economic surveys and legal briefs but feel these should be before you. If they are not, we suggest it may be your obligation to see that they are.

2. Transportation in Western Canada should assist in our economic growth and not be a limiting factor.

3. Distances between population centres in our area are such that transportation is a major contributing factor in negotiating and completing the purchase and sale of all goods and services marketed and consumed by our people.

4. The expanding economy of Western Canada will require the expansion of our transportation services in an orderly fashion.

5. We believe the further development of transportation should embrace all forms of transportation. For example, when our Chamber requests the continuing service of regular air line service we dealt with the Air Transport Board.

When we submitted recommendation on rail passenger service, we dealt with the Board of Railway Commissioners.

6. We find, what would appear as unjust passenger rates being charged to and from Medicine Hat.

<i>Air Fares</i>			<i>Rail Rates</i>
59.00	Regina	— Vancouver	27.00
47.00	Medicine Hat	— Vancouver	27.00
28.00	Medicine Hat	— Regina	15.00
43.00		— Brandon	20.00
51.00		— Winnipeg	20.00
78.00		— Fort William	37.00
103.00		— Toronto	
28.00	Calgary	— Regina	20.00
43.00		— Brandon	20.00
43.00		— Winnipeg	20.00
70.00		— Fort William	37.00
89.00	Lethbridge	— Toronto	

We recommend that the Federal Government give strong consideration to the appointment of a permanent advisory council on transportation or a similar body as recommended by the Royal Commission on Transportation

for the purpose of investigating and reporting on the special growth and competition of the transportation industry, and the interconnection of these problems between all types of carriers, with a view to advising and recommending to government principals leading to the regular revision of the national policy on transportation and for the purpose of conducting a continuous evaluation of the impact of changing technology, legislation and regulating practice on various branches of the industry.

APPENDIX "Q"

Medicine Hat Downtown Kiwanis Club—May 10th, 1966.

TUNE: "Workin' on the Railroad"

- Vs. 1 We were happy with the Railroad, two fast trains a day,
We were happy with the service, but one-half went away,
Now the flower-growers worry, and the passengers too,
CP's no longer in a hurry, the Canadian alone won't do.
- Vs. 2 When it comes to reservations, a "joke" is what they're termed,
Months ahead for reservations, and still they're not confirmed,
We could help to solve this problem, with a day-lin-er,
Winnipeg and on to Calgary, and run by Ve-in-er.
- Chor. Veiner won't you blow, Veiner won't you blow,
Veiner won't you blow your horn, your horn,
Veiner won't you blow, Veiner won't you blow,
Harry won't you blow your horn.

TUNE: "Down in the Valley"

Into our valley, the train makes its way,
It might just make it, on time some day,
Even for MP's the damn thing was late,
We all know the Railway makes more on freight.

Can't ride the Railroad, can't pay the fare,
Cheaper to travel by bus or by air,
If we could afford it, still couldn't ride,
Many seats empty, but none set aside.

Phone down to the station, to check on the train,
But just as suspected, they've lost her again,
The clerk says one hour, but when you arrive,
They still haven't found her, and you sit there for five.

The C.P.R. tells us, one train is enough,
But we can assure them, that this is "pure guff",
With firm-reservations, and fares that are low,
Watch the seats fill up, watch the trains go.

Two-trains again daily, to even the score,
The Railway will soon find, that they will need more,
That other big railroad, sure handles the fares,
And still makes big money, to honour their shares.

Out of our valley, more business would flow,
We and the Railway, would all make more dough,
So let's get them rolling, with no more delays,
And they will discover, *that real service pays !!!*

APPENDIX "R"

Medicine Hat Downtown Kiwanis Club—May 10th, 1966.

Oh such a business . . . Oh such a deal . . .

The train was so late boys, now you know how *we* feel.

Had the Canadian been on time. Could have avoided all the fuss,
Of getting to Medicine Hat by chartering a bus

But oh, just a minute . . . you're here now don't pout
Just *try* to arrange things . . . so that you can get out.

Check with the railroad . . . then check by air . .
25 seats boys what a nightmare . . .

You could again go by Greyhound, that is, if you like,
And a word of advice men you can also hitch-hike

Now Bud Olson has told you, at least more than twice . . .
Of this major problem...but you say!!! "No dice" . . .

You've seen what can happen, in this part of the land,
It's happened to you boys, it's happened first hand

We put up with this problem, each day and each night,
But we *know* your good judgment, *will again make things right*,

With two trains a day, an Air-Canada flight,
We'll extend you our hands . . . for a *shake* . . . not a fight.

HOUSE OF COMMONS

First Session—Twenty-seventh Parliament

1966

STANDING COMMITTEE

ON

TRANSPORT AND COMMUNICATIONS

Chairman: Mr. JOSEPH MACALUSO

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 12

WEDNESDAY, MAY 11, 1966
Moose Jaw, Saskatchewan

Respecting

The subject-matter of the adequacy of the present program and future plans for passenger service on the lines of the Canadian Pacific Railway.

WITNESSES:

From the Saskatchewan Legislature: Hon. Gordon B. Grant, Minister of Highways and Transportation and Messrs. John S. Burton, M.L.A.; E. I. Wood, M.L.A. (Swift-Current); G. T. Snyder, M.L.A. (Moose Jaw City); A. E. Blakeney, M.L.A. (Regina West).

Their Worships Mayors: Louis H. Lewry, City of Moose Jaw, Saskatchewan; H. H. P. Baker, City of Regina, Saskatchewan; J. D. Jackson, President, Saskatchewan Urban Municipalities Association; Alderman C. C. Williams, City of Regina, Saskatchewan.

From Moose Jaw and District Labour Council: Mrs. Astrida Law, Technical High School Teacher and Mr. John Skoberg, member of the Executive and Messrs. C. A. Ratee, Chairman of the Railroad Labour Association; J. R. Knelson, Secretary of Moose Jaw, Local of Saskatchewan Farmers' Union Directorial Sub-district 6 of District 4.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1966

STANDING COMMITTEE
ON
TRANSPORT AND COMMUNICATIONS

Chairman: Mr. Joseph Macaluso

Vice-Chairman: Mr. H. Pit. Lessard
and Messrs.

Andras,	Fawcett,	Olson,
Ballard,	Horner (<i>Acadia</i>),	Pascoe,
Bell (<i>Saint John-Albert</i>),	Howe (<i>Wellington-</i>	Reid,
Boulanger,	<i>Huron</i>)	Rock,
Byrne,	Hymmen,	Saltsman,
Cantelon,	MacEwan,	Sherman,
Caron,	McWilliam,	Southam,
Carter,	O'Keefe,	Thomas (<i>Maisonneuve-</i>
		<i>Rosemont</i>)—25.

(Quorum 13)

Maxime Guitard,
Clerk of the Committee.

MINUTES OF PROCEEDINGS

WEDNESDAY May 11, 1966.
(22)

The Standing Committee on Transport and Communications met this day at 10:20 o'clock a.m. C.S.T. at the Council Chamber of City Hall in the City of Moose Jaw, Saskatchewan. The Chairman, Mr. Macaluso, presiding.

Members present: Messrs. Andras, Ballard, Bell (*Saint John-Albert*), Boulanger, Byrne, Cantelon, Caron, Carter, Fawcett, Howe (*Wellington-Huron*), Hymmen, Lessard, Macaluso, MacEwan, McWilliam, O'Keefe, Olson, Pascoe, Reid, Rock, Saltsman, Sherman, Southam and Thomas (*Maisonneuve-Rosemont*).—(24).

In attendance: Hon. Gordon B. Grant, M.L.A., Minister of Highways and Transportation in the Saskatchewan Legislature. Their Worship Mayors: Louis H. Lewry, of the City of Moose Jaw, Sask.; H. H. P. Baker of the City of Regina, Saskatchewan.

The Chairman opened the meeting and invited Hon. Gordon B. Grant, M.L.A. to comment the brief he was to submit before being questioned thereon.

Thereupon, on motion of Mr. Pascoe, seconded by Mr. Lessard,

Resolved unanimously:—That the submission of the Government of the Province of Saskatchewan be printed as an appendix to this day's Minutes of Proceedings and Evidence. (*See Appendix "S"*).

The examination of the witness being completed, the Chairman, on behalf of the Committee, thanked the Hon. Gordon B. Grant who retired.

The second witness to be called was His Worship Mayor Louis H. Lewry who read a brief and was questioned thereon.

His examination being completed he retired after being thanked by the Chairman.

His Worship Mayor H. H. P. Baker was next to be called. He read a brief before being questioned thereon.

The examination of the witness being completed, the Committee through the Chairman, thanked His Worship Mayor Baker who retired.

On motion of Mr. Fawcett, seconded by Mr. Howe (*Wellington-Huron*),

Resolved unanimously:—That the brief submitted by the village of Coderre and surrounding municipalities, in the Province of Saskatchewan, be printed as an appendix to this day's Minutes of Proceedings and Evidence. (*See Appendix "T"*).

At 1:28 o'clock p.m. C.S.T. the Committee adjourned until 2:30 o'clock p.m. S.T.

AFTERNOON SITTING

(23)

The Standing Committee on Transport and Communications reconvened at 2:42 o'clock p.m. C.S.T. this day. The Chairman, Mr. Macaluso, presided.

Members present: Messrs. Andras, Ballard, Bell (*Saint John-Albert*), Boulanger, Byrne, Cantelon, Caron, Carter, Fawcett, Howe (*Wellington-Huron*), Hymmen, Lessard, Macaluso, MacEwan, McWilliam, O'Keefe, Olson, Pascoe, Reid, Rock, Saltsman, Sherman, Southam and Thomas (*Maison-Rosemont*).—(24).

In attendance: From Moose Jaw and District Labour Council: Mrs. Astrida Law, Technical High School Teacher and Mr. John Skoberg, member of the Executive; Mayor J. D. Jackson, President, Saskatchewan Urban Municipalities Association; Mr. C. C. Williams, Alderman for the City of Regina, Saskatchewan; Mr. C. A. Ratee, Chairman of the Railroad Labour Association, and Mr. John S. Burton.

The Chairman opened the meeting to sit "*in camera*" for 10 minutes to discuss the order in which the witnesses are going to be called at this afternoon's and evening's sittings. Then the Committee resolved itself into a public hearing and Mrs. Astrida Law was invited by the Chairman to read, in French, a brief submitted by Moose Jaw and District Labour Council. However, Mr. John Skoberg, a member of the delegation, was questioned thereon.

The examination of the witness being completed, the Chairman thanked Mr. Skoberg who retired.

The Chairman having to leave, the Vice-Chairman, Mr. Lessard, took the Chair.

Then His Worship Mayor J. D. Jackson was called. He read his brief and was questioned thereon.

The Committee having completed the examination of the witness, Mayor Jackson was thanked by the Chairman and he retired.

Alderman C. C. Williams was the next witness to be called. He read his brief and was questioned thereon.

His examination being completed, the Committee, through its Vice-Chairman, thanked Mr. Williams who retired.

Then, the Vice-Chairman called Mr. C. A. Ratee who read his brief before being questioned thereon.

His examination being concluded, Mr. Ratee was thanked by the Committee through its Chairman, and he retired.

Mr. John S. Burton was called. He read a brief and was questioned thereon. His examination being concluded, he was thanked by the Vice-Chairman and he retired.

The Chairman resumed the Chair.

At 6:05 o'clock p.m. C.S.T. the Committee adjourned until 8:00 o'clock p.m. C.S.T. this evening.

EVENING SITTING
(24)

The Standing Committee on Transport and Communications reassembled at 8:00 o'clock p.m. C.S.T. this evening. The chairman, Mr. Macaluso, presided.

Members present: Messrs. Andras, Ballard, Boulanger, Byrne, Cantelon, Caron, Carter, Fawcett, Howe (Wellington-Huron), Hymmen, Lessard, Macaluso, MacEwan, O'Keefe, Olson, Pascoe, Reid, Rock, Saltsman, Sherman, Southam and Thomas (Maisonneuve-Rosemont).—(22)

In attendance: Members of the Saskatchewan Legislature: Messrs. E. I. Wood, M.L.A. for Swift Current; G. T. Snyder, M.L.A. for Moose Jaw City; A. E. Blakeney, M.L.A. for Regina West; and Mr. J. R. Knelson, Secretary of Moose Jaw, Local of Saskatchewan Farmers' Union Directorial Subdistrict 6 of District 4.

The Chairman opened the meeting and invited Mr. E. I. Wood, M.L.A. to read his brief before being questioned thereon.

And the examination of the witness being concluded, the Chairman, on behalf of the Committee, thanked Mr. Wood who retired.

On motion of Mr. Lessard, seconded by Mr. Southam,

Resolved unanimously:—That the brief submitted by Regina C.C.F. Metro Council be printed as an appendix to this day's Minutes of Proceedings and Evidence. (See Appendix "U").

The second witness to appear this evening was Mr. J. R. Knelson. He made an oral submission before being questioned thereon. His examination being concluded, he was thanked by the Chairman and he retired.

Then the Chairman called upon Mr. G. T. Snyder, M.L.A. and invited him to read this brief before being examined thereon.

The Committee having completed its examination of the witness, the Chairman thanked Mr. Snyder who retired.

Next, Mr. A. E. Blakeney, M.L.A. was called. He read a brief and was examined thereon.

The examination of the witness being completed, the Chairman, on behalf of the Committee, and on his own behalf, thanked Mr. Blakeney who retired.

On behalf of Mr. O'Keefe, seconded by Mr. Olson,

Resolved unanimously:—That the map entitled Provincial Electoral Districts 960 be printed as an appendix to this day's Minutes of Proceedings and Evidence. (See Appendix "V").

The last witness to be called was Mr. William C. Tufts who read a brief and was questioned thereon.

His examination being completed, Mr. Tufts was thanked by the Chairman and he retired.

At 10:40 o'clock p.m. C.S.T. the Committee adjourned until 10:00 o'clock a.m. C.D.T. at the Court House in the City of Brandon, Manitoba.

Maxime Guitard,
Clerk of the Committee.

EVIDENCE

(Recorded by Electronic Apparatus)

WEDNESDAY, May 11, 1966.

● (10.09 a.m.)

Mr. LEWRY, (*Mayor of the City of Moose Jaw*): Mr. Chairman, Members of the House of Commons and gentlemen: we are sorry for the cramped quarters this morning. Arrangements were to be made for the Court House, but we understand that the trial is still continuing so we are sorry to have to put you up in such inconvenient quarters. We hope you will bear with us and the hearing will go as rapidly as possible. Your Chairman today is Mr. Joseph Macaluso, the Member for Hamilton West.

I would like to welcome the Members of the Standing Committee on Transport and Communications to the City of Moose Jaw. I hear that you had a rough ride and it could not happen to nicer people.

We were able to take most of the members on a short bus trip around the city; sorry this was not longer. The chairman tells me that we hope to continue right on until 1:00 o'clock and then no more than an hour's break for lunch, and back here at 2:00. There are more briefs than were expected, and I am not going to take up any more time. I now turn the meeting over to Mr. Macaluso, the Chairman of the Standing Committee of the House of Commons on Transport and Communications. Mr. Macaluso.

The CHAIRMAN: Thank you very much, your Worship. On behalf of the Committee, I would like to say that we are very happy to be in the City of Moose Jaw and the number of briefs being presented. Our indication is to date that we have the following briefs to be presented, not necessarily in this order.

The Hon. Gordon B. Grant, Minister of Industry and Commerce, the Minister of Highways of the Government of Saskatchewan. The City of Moose Jaw, the City of Regina; Moose Jaw and District Labour Council; a Mr. E. I. Wood, M.L.A., Saskatchewan; Mr. John S. Burton of the leader of the opposition's office in Saskatchewan; the Railroad Labour Association; the Saskatchewan Urban Municipalities Association; W. G. Davies and Gordon Snyder, M.L.A.s, the Saskatchewan Progressive Conservative Party; and our first order of business will be with the submission by the Government of Saskatchewan, the Honourable Gordon B. Grant.

Mr. OLSON: Mr. Chairman, before you call on Mr. Grant, I wonder if perhaps the Committee would like to consider sitting after dinner this evening if necessary.

The CHAIRMAN: Well, I have already mentioned this morning on our train car, Mr. Olson, that it might be necessary to sit this evening as so indicated and

we will see how we progress today, because it seems to me that we will be sitting this evening.

Mr. OLSON: I wanted to bring that up so that anyone here would be assured that we would take that time if necessary to hear them.

The CHAIRMAN: Yes, we will hear all the briefs that are presented today if it takes us into the wee hours of the evening. Gentlemen, I see a quorum. The Hon. Gordon B. Grant.

Mr. WILLIAMS: Mr. Chairman, while Mr. Grant is coming up, I think there are other briefs that you have on your list. Williams is my name, alderman Williams from Regina.

The CHAIRMAN: Mr. Grant if you would come up to the chair please. I thank you Alderman Williams. I would ask those who are here who have not notified this Committee or the Clerk of their intention to present a brief, to kindly stand please and let us know.

Mr. BLAKENEY: Mr. Chairman I did send notification but the name was not read. I am representing the members of the legislature for Regina City. Mrs. Cooper, Messrs. Blakeney, Whalen, Baker and—

The CHAIRMAN: Your name, sir.

Mr. BLAKENEY: My name is Blakeney.

The CHAIRMAN: We have no indication here, Mr. Blakeney. However, you are welcome to present your brief.

Mr. KNELSON: I appear on behalf of Moose Jaw and the Saskatchewan Farmers' Union, J. R. Knelson is the name.

The CHAIRMAN: If any of you gentlemen have briefs with you now, would you kindly hand them to the Clerk as he goes around; we would appreciate having them for the Committee beforehand.

Mr. CODAIR: I am presenting two briefs: One for the constituency of Gravelbourg and one on behalf of Mr. Bill Powers, M.L.A.

The CHAIRMAN: Gentlemen, I see a quorum. Since we are in such cramped quarters I would ask that we try to make as little noise as possible so that we may get a clear recording of the Minutes of Proceedings and Evidence of the Committee hearings.

We have with us this morning, presenting the first brief, the Hon. Gordon B. Grant, Minister of Highways and Transportation with the government of Saskatchewan. Mr. Grant. You can sit down, sir. I would ask for a motion that the brief of the government of Saskatchewan be printed as an appendix to our Minutes of Proceedings and Evidence.

Mr. PASCOE: I so move, Mr. Chairman.

The CHAIRMAN: Moved by Mr. Pascoe, seconded by Mr. Lessard. All in favour.

Motion agreed to.

Gordon B. GRANT (*Minister of Highways and Transportation*): Mr. Chairman, and members of the Parliamentary Committee, first of all, I want to welcome the Committee to Saskatchewan and on behalf of the Premier wish

you a very successful stay here in Moose Jaw. I can see that you are going to have a very very full day and I trust it will be most interesting and educational.

I would say at the outset that I would not want you to be misled by the brevity of our submission because the brevity, I believe, should add to your appreciation of the contents that we think are realistic under the circumstances. This submission reiterates the original stand taken by the Government of Saskatchewan before the hearing to the Board of Transport Commissioners in Regina in October 1965, and with the subsequent petition of the province appealing the Board's decision of January the 7, 1966, which resulted in the almost immediate suspension by the Canadian Pacific of its Dominion Passenger Service. A copy of the original submission is appended hereto.

Area served: The Canadian Pacific mainline passenger service crosses the geographical southern half of the populated area of Saskatchewan in which are located approximately 426 thousand people representing more than 45% of the entire population of the Province. More than 217 thousand people in Saskatchewan reside in cities, towns, villages and rural municipalities traversed by the line. There are also 209 thousand people tributary to the service.

The CHAIRMAN: Excuse me, Mr. Grant. Might I bring to the attention of the Members and to the people here that there be no smoking allowed in this room because of the closed quarters. I would appreciate your cooperation with us in that or otherwise we will be thinking that we are in a real steam room here today. Thank you very much. Mr. Grant.

Mr. GRANT: Saskatchewan's Stand:

1. Except for the months of July and August the Dominion Passenger Service prior to discontinuance was reduced from its former status of a continental service to a mere series of connected local services. For this reason, Saskatchewan restricts its concern to only that portion of the service effecting Saskatchewan residents.

2. In Saskatchewan the Dominion consisted of only passenger coach travel which, nevertheless provided an important local service to its substantial number of Saskatchewan residents. A local passenger service, therefore should be maintained which is at least equivalent to that formerly provided by the Dominion.

3. The utilization of the Dominion Passenger Service by Saskatchewan residents was as high as that for any area along its entire route. Alternative service of the Canadian is entirely unacceptable due to the unattractive early morning scheduling of the Canadian through Saskatchewan communities both eastbound and westbound.

4. Utilization of the Dominion service by a large number of Saskatchewan residents was testimony of the preference local people had for a rail passenger service over good adjacent highway service and indicated that the time tables should have been re-scheduled to meet local needs rather than to satisfy the dictates of what had formerly been a bona-fide transcontinental service.

A Proposal by Saskatchewan:

The Province of Saskatchewan proposed that the local service provided by the Dominion be reinstated and improved. The manner in which these services are reinstated and maintained are the responsibility of the railway company and in this regard Saskatchewan offers the following constructive suggestions.

1. The Canadian Pacific establish a local passenger service designed to serve the prairies in the most effective manner possible.

2. Investigation be made into providing a type of rail passenger service which is both economic and adoptable to local needs. It would appear that a day liner service would meet these requirements. Time tables should be designed so as to be most attractive to Saskatchewan passengers.

3. The reinstated passenger service be provided over a fixed period of time so that an assessment can be made of the efficiency of and the demand for a passenger service revised to accommodate local needs.

4. A vigorous promotional program should be embarked upon to advertise the advantages of the local passenger service to Saskatchewan residents. All of which is respectively submitted this 11th day of May.

● (10.23 a.m.)

Mr. Chairman, attached hereto is a copy of the original brief which we presented to the Board of Transport Commissionners which elaborates more fully on the points that I have raised.

The CHAIRMAN: Thank you Mr. Grant. The appendix and the brief as a whole will be printed in the minutes of evidence and proceedings according to the motion that was just passed.

Now, gentlemen, the meeting is open for questioning. Mr. Cantelon.

Mr. CANTELON: I would like to refer particularly to paragraph 3 on page 2. I think this is the central point that we have been dealing with all along, and this is the point too on which the CPR offers its strongest defence. You say that the utilization of the "Dominion" passenger service by Saskatchewan residents was as high as that for any area along its entire route. Now you realize I am sure that the CPR says that the demand, and they thought by it as the effect of demand, has made it impossible for them to continue this service. And yet you say that the utilization was high. Do you consider that the demand was high enough to meet this classification of effective demand that the CPR have used. Do you know what the definition that they use is.

Mr. GRANT: I am afraid it would be pretty difficult for me, sir, to agree or disagree or to support their conclusions in this regard, but I think the number of people utilizing this former "Dominion" service in Saskatchewan was sufficient to justify at least a trial experience along the lines that we have suggested. We are not saying that the utilization previously was sufficient to justify the "Dominion" nor are we suggesting that it will be sufficient in the future necessarily to justify a rail liner type service. We feel that because of the number of people that utilized this service previously, that there is justification for an assessment of an upgraded rail liner type service.

Mr. CANTELON: I can certainly see your point that the scheduled times are certainly unsatisfactory for local traffic. There is no question about that as we are getting this as we pass across the province in the middle of the night actually on the "Canadian". The thing that really bothers us, I am sure all of us, that if you put a rail liner like this in, you are going to have purely local traffic. And is that purely local traffic going to be enough to justify their contention that the demand does not actually carry the cost of service.

Mr. GRANT: I think that only time and experience will prove whether this is right or wrong.

Mr. CANTELON: So you would have them experiment or gamble on a local train, you might say.

Mr. GRANT: Yes, I do not think their experience on the "Dominion" necessarily indicates that this type of service would not generate enough traffic to justify its continuance.

Mr. CANTELON: I do not want you to feel that I am antagonistic towards your claim in the way in which I am questioning you. I am not at all. But I think we have to get right into this and since we are very busy, I think I will just leave it with that one thought and let some of the others ask their questions.

The CHAIRMAN: Thank you. Mr. Andras.

Mr. ANDRAS: Mr. Grant, if your recommendations were followed out by reinstatement of some form of local service and in spite of the vigorous promotional program which you also recommend, which is very sound, this service resulted in a deficit, that is to say, the patronage of that service did not result in a break even or profit operation for the railway, what would be your recommendation as to who should pick up the deficit, giving full consideration to the obligations of the CPR under the 1881 agreement, and so forth?

● (10.27 a.m.)

Mr. GRANT: I think the only practical way would be to pick up on a federal basis. If they are not going to patronise it to the point where it is economic, well you are certainly not going pick it up from the users. Then that would just drive them away, and I think you would have to assess the situation at the time to determine whether the deficit was greater than could be justified in continuing the line. I see no way of picking up the deficit other than by the federal government or by part and parcel by the C.P.R.'s operation. Any businessman operates certain segments of his business at a loss. I doubt whether there is anybody in business who does not have some part of his business that he would like to get rid of. I know that I have a few tenants that I would like to cut off, but you cannot because of the over-all picture of your business and I think this would have to be assessed in that light.

Mr. ANDRAS: Thank you very much, Mr. Chairman.

Mr. PASCOE: Well, Mr. Chairman, I was also interested in these questions about local service but quite a few of the questions have been asked and answered. You stress very considerably in here, local service. I had more of an idea that perhaps the day liner could fit in with the "Canadian" service at more suitable hours. A day liner like for Moose Jaw and Regina would perhaps take

the passengers to meet the "Canadian" further on and also perhaps a day liner worked on feeder lines to help bring passengers to the "Canadian". Is that partly your idea of what you had in mind?

Mr. GRANT: That would be part of our idea, because I know, personally, that I would rather take the day liner to a point where I could board the "Canadian" at a social hour than getting up at 3.30.

Mr. PASCOE: Then on page 3 you talk about reinstated passenger service for a fixed period. Is that along the lines of giving the public a chance to use it on the basis of use or lose?

Mr. GRANT: I would say yes, and over a period of maybe one or two years. Give it a fair trial.

Mr. PASCOE: This question has been brought up before on several times, and in Ottawa at a hearing we brought it up and Mr. Sinclair, who is now the president of the C.P.R., said that the C.P.R. would be pleased to undertake this if the cities who were serviced would guarantee part of the operating cost. Would that be a fair question to ask?

Mr. GRANT: No, I do not think that is a fair approach to take because here in Saskatchewan, as you know, we are operating a transportation company. I guess it is in competition with this line to some degree, but we certainly do not ask the communities to supplement the revenue from the passengers because we happen to be running a losing line into that area. It is looked at as an entire operation rather than as an isolated line, deficits or profits.

Mr. PASCOE: Just one more question on that now. You mentioned possible reinstatement of the "Dominion" or a day liner. Would you like to have the "Dominion" brought back on a basis more acceptable to the public, more than a day liner?

Mr. GRANT: I am glad you added the last part because I would not care to say back in its original or at least in its latter days, in the condition of its latter days. I think the service has to be up-graded.

Mr. PASCOE: You would sooner have the "Dominion" than the day liner if they would improve the service?

Mr. GRANT: Well, since the "Dominion" through Saskatchewan had pretty well become a local service, I do not know whether there would be much choice but I cannot imagine if the day liner idea is not attractive economically, in all likelihood the reinstatement of the "Dominion" would be less attractive.

Mr. PASCOE: That is all, Mr. Chairman.

Mr. REID: Mr. Grant, Mr. Chairman, What is your definition of "local service"? When would it begin, where would it end, in physical terms? Would you begin at say, Winnipeg and end it at Calgary?

Mr. GRANT: As we point out we are only speaking on behalf of Saskatchewan, but we would like to see it if I can stretch my boundaries beyond Saskatchewan, we would like to see it from Winnipeg to Calgary, naturally because these are centres that people in Saskatchewan are destined to and coming from. Does that answer your question?

Mr. REID: That is fine. It seems that the west is one of the areas that really has an interest in provision of alternative service. In going back to Mr. Andras' question, if this is so, why is it not possible in your view for the users to subsidize it, say the three western Prairie Provinces. In other words, they would be the ones getting the benefit of this service, and if so, and if its necessary to serve a purely local need of this nature, why would not the cities and the provinces, their masters, be willing to pick up a portion at least of the deficit incurred if it was not an economic operation.

Mr. GRANT: I think possibly, I missed that form of question, when that I was asked, but what authority should pick it up. I was probably thinking too nationally.

Mr. REID: By your definition, the train would be purely a western one going to the three prairie provinces.

Mr. GRANT: If it was solely restricted to that area, then I think there would be some argument in favour of a partial subsidization by the western area, but if it extended further, I would hope that it would be looked upon as in the same light in other sections of Canada also. When the question was originally asked me, I was thinking of a local type service right across the country. Restricted to an area, I think you would have to assess the feasibility of subsidization from a western area.

Mr. REID: Thank you, Mr. Grant.

Mr. HOWE (*Wellington-Huron*): My question is somewhat similar Mr. Chairman to those by Mr. Reid and Mr. Andras, and I would like to ask Mr. Grant now in the province of Ontario, I understand the commuter service into Toronto as being subsidized through the department of highways by the province themselves to make it possible. I wonder if your province has ever given consideration to the possibility of assisting by helping to pay for this service by the province itself.

Mr. GRANT: I hope no one ever gives in a thought to using the highways if we subsidize it because we are having a little difficulty in stretching it as far as we would like to now, even though I have a very substantial budget. No, to be honest with you, I do not recall any discussion in my presence along these lines.

Mr. HOWE (*Wellington-Huron*): Mr. Grant, I do feel that one of the reasons the province of Ontario is doing this is to take some of the traffic off the highways and get people on to the trains again, they feel this is going to serve a double purpose of helping the highway budget and removing some of the traffic problems. Do you have that situation developing in the province around your cities?

Mr. GRANT: No, I would not say that we have reached that, except that possibly between Regina and Moose Jaw traffic has reached the point where we are running into added highway costs, by way of four laning it and likes of that, but we certainly cannot be compared with the Toronto area in any part of Saskatchewan.

Mr. HOWE (*Wellington-Huron*): Thank you, Mr. Grant.

Mr. OLSON: Mr. Grant, in your brief you did not say anything about the legal or moral obligations of the CPR towards providing passenger service or

any other kind of rail service. Did you consider this when you were compiling your brief?

Mr. GRANT: Yes, we gave thought to this, and we felt that this is a point that has been stressed and stressed and restressed, and that we would confine our remarks to this particular area, and not repeat on this section that you refer to.

Mr. OLSON: And even though it is not in your brief, the fact that it has been presented to the committee so many times. What I am interested in does the government of Saskatchewan feel that there is both a moral and legal obligation for the CPR to continue to provide this service?

Mr. GRANT: I would say yes. I personally feel that it becomes a little bit too much of an emotional item quite often then justified, but it cannot be lost sight of and is not lost sight of in our brief.

Mr. OLSON: Mr. Grant, in paragraph 4, you talk about rescheduling service to meet local needs, and so on, and this question has been put to you in another form, but you are suggesting that there be some kind of service that would go through southern Saskatchewan during the daylight hours?

Mr. GRANT: Yes, the Dominion hours now in Saskatchewan are not too bad, west bound, it arrived in Moosomin on the eastern boundary of the province at 3:18 p.m. and passed through Swift Current on the west boundary at 10:30 p.m., so those are social hours, I would say. East bound, it left Swift Current at 5:05 a.m. which is alright for a cabinet minister because we are up about that time, and at Fleming at 1:38 p.m. in the afternoon, so the timing was not too bad.

● (10.38 a.m.)

Mr. OLSON: The reason I want some clarification on this—do you think that an additional transcontinental service can be reconciled to your requirements for local services or are they two separate things? In addition to the “Canadian”?

Mr. GRANT: No, I do not think it can be. I think the local service or service that might be provided by a rail liner or by some adaptation of the “Dominion” and the “Canadian” would certainly be all that I would think would be justified here.

Mr. OLSON: I would like to move on to another area and that is this. Do you think that the one train each way going through southern Saskatchewan is sufficient to meet the demands of the Saskatchewan people, that is, to the extent that their share of the use of this service, that one train a day is enough?

Mr. GRANT: I would think so.

Mr. OLSON: I am not talking about local service now. Perhaps you do not know whether or not the people in southern Saskatchewan are having difficulty to make reservations and to use the service for trips to eastern Canada or to western Canada, that is to far western Canada, do you know whether or not—

Mr. GRANT: The “Canadian”?

Mr. OLSON: Well, I am talking of both.

For purposes of long travel or travel beyond the borders of Saskatchewan, is this one service enough to meet the need in southern Saskatchewan?

Mr. GRANT: I am afraid I cannot answer that. I feel that the CPR has maybe not done as good a summing job on the use of their transcontinental trains as might have been done.

Mr. OLSON: Mr. Grant, I do not want to be unfair, I do not want you to think that I am trying to put you on the spot, but on the first page of your presentation to the Board of Transport Commissioners which is appended to this brief, there is a resolution passed in your legislature on April 13th that says; and I will just read part of it: "and request the government of Canada to undertake all steps possible to assure that these trains are not withdrawn" and they are referring to Trains 7 and 8 that were formerly the "Dominion". Has there been some change in your attitude towards these two trains since that resolution was passed in your legislature?

Mr. GRANT: I think that when you are faced with a proposal of this sort, the first reaction is to try to oppose it and retain what you have. I would say that we are trying to take a realistic approach to a problem that appears to require some answer to, and that the suggestion of a rail liner is this alternative since it appears that trains 7 and 8 have been removed, and there is limited likelihood of their being put back in their original form anyway.

Mr. OLSON: If the Committee should recommend that the government should accept and order the CPR to reinstate another train, would you like to see the trains 7 and 8 or the "Dominion" reinstated as it was, or would you prefer a train similar to the "Dominion" running about twelve hours behind the "Canadian", I should say?

Mr. GRANT: I partially answered that question by Mr. Pascoe, or some other gentleman in front of me. My recollection is that the "Dominion" in its final days was far from satisfactory. I think if that is all we are going to get that a good uprated railliner service would be preferable, to a poorer "Dominion" type of service. Now, when I say service, I am not thinking of the timing as much as the accommodation.

Mr. OLSON: One of the great objections to the "Canadian" in Saskatchewan is that the hour—the hour of the day that it goes through.

Mr. GRANT: That is one of the only objections. I think it was a wonderful train myself.

Mr. OLSON: If you had another train similar to this stopping at the other twelve-hour interval, would this be of value to you?

Mr. GRANT: Indeed.

The CHAIRMAN: If we can have a break for just one moment or a couple of minutes, there will be more chairs placed in the front row, I believe. Can that be taken care of immediately.

● (10.45)

Mr. CARTER: Well, Mr. Olson covered most of the ground that I was interested in, but I should like to ask Mr. Grant about the figures on page 6 of his brief to the Board of Transport Commissioners which has to do with utilization. I understand the figures given here are for the years when the "Dominion" had been downgraded. Is that correct?

Mr. GRANT: I do not know whether it is downgraded or in the act of being downgraded, it is 1964 anyway.

Mr. CARTER: You think it had notwithstanding that the service consisted for ten months of the year of only passenger coaches. I gather that there were no sleeping or dining facilities on that train? Now, can you give the committee any idea of how that utilization compared with the utilization before the train was downgraded.

Mr. GRANT: No, I am sorry I do not have those figures available, sir.

Mr. CARTER: Have you any idea of how this compared with the utilization of the "Canadian"? Did the utilization of the "Canadian" increase to any considerable degree?

Mr. GRANT: In the same period, has the utilization of the "Canadian" increased—I am afraid I will have to—

Mr. CARTER: You say in your brief that the "Dominion" provided mainly a local service and I think Mr. Reid elaborated on that, to what extent would your problem be solved if you had—I gather now that the "Dominion" is gone, you do not have this local service—to the extent that you had before.

Mr. GRANT: We do not have it, period.—except what the "Canadian" provides.

Mr. CARTER: The "Canadian" does not provide the local service to any degree to what you had formerly?

Mr. GRANT: No, it does not provide the local service that the "Dominion" did.

Mr. CARTER: Now to what extent would your problem be solved if you had a local service that did not tie in to a transcontinental rail service, but tied into a transcontinental air service, would that be of any use to you?

Mr. GRANT: I do not know whether I follow your question. A local service tied in with an air service rather than a railway service?

Mr. CARTER: I gather that when you talk about local services, you are talking about people travelling within the boundaries of Saskatchewan from one point to another, rather than travelling from say Saskatchewan to Toronto, Montreal, or to Vancouver.

Mr. GRANT: I think it is more important to have it tied in with the transcontinental rail service than an air service. I cannot see too much relationship between a local rail service and a transcontinental air service.

Mr. CARTER: I mean the air service you get at the present time does not lend itself to utilization by providing a local rail service.

Mr. GRANT: No, they would have to travel to Calgary or to Winnipeg to improve themselves. I do not think there would be much of a demand for this. Air service could stand some upgrading. I could tell you that.

Mr. BOULANGER: Mr. Chairman, honourable Mr. Grant, it is probably the first and last question I will ask for the whole day, I think and I hope, but I am known as a French-speaking Canadian from Quebec and also in our Committee. I am called to be the public relations for the Expo propaganda. At first, I need

your help. First, I notice in your brief the main importance I think is to get the local service for your people from your province, but there is no mention whatsoever about the importance of tourism in your province, especially during the next year, Centennial Year, and also Expo Year, and you also, know that Expo to be held in Montreal, Quebec, is a Canadian Expo, world Expo, and do you not think, I would like to ask you that question, because I want that on record, so you will help me. Do you not think that one of the main reasons why the CPR should have kept the "Dominion" on until at least after the Expo would have been the first good reason to have kept it.

Mr. GRANT: Yes, I agree, that it certainly would be a good reason and I just cannot recall, but it seems to me that we had this in some earlier material. Because while a number of people will travel to Expo by air and by car, there will still be many, many people using the rail service and we feel that this would have facilitated movement because they could have gone by day liner into Winnipeg or some other point and get better connecting services to point east of here.

Mr. BOULANGER: The reason I am asking you that was simply that that will be probably one of my main arguments to have it back. My second question is, would you agree with me that people who come from overseas to this affair who would want to see the country, will prefer to see it by train rather than by flying or by any other way of transportation? Would you not think that would be the main way of transport they would be using.

Mr. GRANT: There are only two ways of seeing Saskatchewan and one is by automobile or bus, and by rail. You certainly do not see it by air. All you see are the fleecy clouds.

Mr. BOULANGER: That will make my arguments more powerful in the House of Commons. You say a local passenger service therefore should be maintained. You do not seem to think that they have given, by what you say here, I am sorry I have to think in French and translate into English from my French. You say somewhere here that you think it should "be reinstated and improved". Do you mean by that, as we hear at different places in this western part of the country, that they had reduced their services to such an extent or had given such bad service that they discouraged people from travelling by the "Dominion" train?

● (10.53 a.m.)

Mr. GRANT: Well, in business you always try to be aggressive and be ahead of the other person and do a good selling job, and in my opinion, the CPR was following the exact opposite course on the "Dominion"; instead of selling it, they were downgrading it.

Mr. BOULANGER: That answers my question. Thank you, very much, Mr. Grant.

Mr. SOUTHAM: Thank you, Mr. Chairman. Mr. Grant, by virtue of the fact that you have had a great deal of experience in transportation—you are the present minister of highways and transportation—I would like to ask you a question, although it is not referred to directly in your brief, but it has been discussed at other meetings, and I am sure it will be discussed again further.

We not only have to take hundreds of thousands of words of evidence, but we are going to have to come up with a report, make recommendations to the government, and they are going to have to take action. Now, one of the suggestions that have been made is that we should set up an over-all coordinating or regulating body with far wider powers than the present Board of Transport Commissioners, and the suggestion has been made that, for instance, our Air Transport Board, our Canadian Maritime Commission, our Board of Transport Commissioners and other local provincial boards like buses, and so on, should all come under one head. By virtue of your experience in the transport field, Mr. Grant, what would your opinion be in a case like this?

Mr. GRANT: I feel there is a lot of merit in this, because I do not think you can deal with this subject of transportation in a piecemeal manner, and there is a great danger of this happening, not only in the case of the "Dominion". As you know, there is a piece of legislation sitting down there in Ottawa that is going to be acted on some of these days, Bill No. C-120 which is going to have a terrific impact on transportation facilities in Saskatchewan, and it is going to affect the department of highways. We are quite aware of that. In many, many areas and there seems to be an increasing necessity to correlate all types of transportation, so that one over-all body would probably have a better appreciation of what doing something here to one group is going to result in over here with another segment. And you might as well include the Welland canal and the seaway project in this, too, because it is all part and parcel of the whole thing, and I do not think you can deal with one independent of the other, or else you will get in trouble sooner or later.

Mr. SOUTHAM: Thank you, I am very glad to hear you say that, Mr. Grant. I am of the same opinion. Now, I have one other question. We have heard a great deal of discussion regarding the original contract of the CPR with the people of Canada and witnesses and the Committee itself, have come into quite a variance of opinion as to the principle involved, whether there has been too much stress put on the economic viability of this rail transportation and so on, or whether the CPR in their judgment in taking off the "Dominion" have taken enough consideration of the national interest. What is your opinion? Do you think there has been too much stress put on the economic and not enough on the national interest, or what would you like to say in this respect?

Mr. GRANT: As I indicated earlier, I think any business has to look at its losing operations, and assess whether they should continue them for the benefit of the over-all operation, or whether they should discontinue them. My own personal feeling is that there has been a little too much emphasis placed on both segments, both the obligation of the CPR in their original acquisition of lands and outright grants, and what this should mean today, 1966. On the other hand, I think the CPR has been placing a little too much emphasis on the economics of these lines and it is pretty difficult, next to impossible I think, to disprove their arguments. I think this could go on *ad infinitum* and we would still pretty well have to accept their economic arguments, but I do not think they should be allowed to discontinue a service purely and simply on the grounds of economics. I think this has to be assessed in the light of their over-all operations and not just because they are making money elsewhere but in the light of the service that is required in the areas they are suggesting they might withdraw them

from. We are certainly going to run into this on rail rationalization—rail abandonment as we still call it here in Saskatchewan.

Mr. CHAIRMAN: Thanks, Mr. Grant.

Mr. CARON: Since the abandonment of the CPR "Dominion", I think the CPR has only one train going west and one coming east. Do you know how many trains the CNR has going west and coming east?—same kind of service.

● (10.55 a.m.)

Mr. GRANT: I am going by memory now. My adviser may be able to straighten me out here. I believe they just have the one full-fledged passenger train, but they have a—

Mr. CARON: Is there a rail line of service between Saskatoon and Edmonton?

Mr. GRANT: As far as I know, there is just the one there. Only one, I am sorry.

Mr. CANTELON: There is no CPR service, but there are three CNR services each way.

Mr. GRANT: Well, I was referring to CNR I am not very well informed on that question.

Mr. BALLARD: Well, Mr. Grant, I notice in your brief your main contention seems to be that you are not interested in having the "Dominion" reconstituted or reinstituted, but that you would rather have a series of local sort of day liner services.

Mr. GRANT: I think the question that I answered there was whether I would prefer the "Dominion" as it was before it was discontinued, or rail liner service, and I said as the "Dominion" had been downgraded in our opinion to a poor local service, that the rail liner service appealed to us more now. Another gentleman asked about a second transcontinental similar to the "Canadian". Well, we would certainly go for that, but I doubt very much whether it would be economic.

Mr. BALLARD: You would only go for it providing it serviced the province in a more desirable time of day. I notice that the train going east and west arrived in Regina between 2 and 3 o'clock in the morning, most unreasonable hours, and you would be interested in the reinstitution of the "Dominion" if it traversed the province during daylight hours?

Mr. GRANT: The hours are pretty acceptable.

Mr. BALLARD: Or alternatively, you would like to have more or less local service on a day liner basis. Possibly you have some experience with day liner service between Regina and Saskatoon. Is there a day liner service between these two cities? And how is it patronized?

Mr. GRANT: Fairly well, I believe it is three times a day, is it not, Mr. Ballard.

Mr. BALLARD: Three services each way. And the volume of passengers makes this a viable transportation unit?

Mr. GRANT: It sure does. Possibly not to the degree that the CPR would like to see, but the CNR seems to be satisfied with it, and have increased the frequency.

Mr. BALLARD: Well, now, since the CPR has taken the dominion off this run, has your government as an owner of transportation, stepped into the field to provide an alternative to a service that was discontinued? The bus service that you run—

Mr. GRANT: I cannot answer whether there has been any detailed changes. I believe the main service across the province parallel to the CPR would be the Greyhound.

Mr. BALLARD: Would be what, Sir?

Mr. GRANT: Would be the Greyhound service, not the Saskatchewan Transportation.

Mr. BALLARD: Does your provincial transportation service run principally in the other direction, that is, north and south, rather than parallel to the Greyhound and CPR.

Mr. GRANT: No, our transportation system services the entire province, but the Greyhound service is on the connecting lines between other provinces, as they do not do any local in-province.

Mr. BALLARD: Are the areas that you serve with your service, are they fairly well satisfied with the service that you give them on your bus service?

Mr. GRANT: At times we get complaints, but generally speaking, they are pretty well satisfied with it.

Mr. BALLARD: Now, just one further question in connection with the 1880 Agreement, Mr. Grant, the 1880 Agreement gave to the CPR some outright gifts or concessions, if you want to call it that, of \$25 million in cash and 25 million acres of land in western Canada. But it also gave a gift or concession to the company, a concession in perpetuity and that is, I am talking now of the exemption in provincial and municipal taxation in the prairie provinces and the reason I am bringing this question out is that somebody previously has said that, would the province of Saskatchewan be prepared to underwrite any deficit on the passenger service. Do you, as a provincial officer, feel that this continuing concession of tax concessions, is sufficient subsidy for your provincial government to pay for the continued efficient operation of the railway?

Mr. GRANT: I think that is a very difficult one to answer, because first of all, I think you would have to relate that subsidy to what relation that had to the over-all deficit, and I am not aware of what this subsidy might amount to. My department may have facts and figures on it but I cannot give them to you off hand. It is pretty hard for me to say whether that is sufficient or not, it may be too much, it may be too little.

Mr. BALLARD: In view of the fact that the 1880 agreement was signed prior to the formation of the Provinces of Alberta and Saskatchewan, would you be prepared to say whether the Province of Saskatchewan is content with having been saddled with the responsibility of the 1880 agreement and also if they are taking any steps to have this agreement set aside?

Mr. GRANT: I am not aware of any specific steps to set this aside, other than the general clamour that it was quite a concession to give and we should expect something in return for it. I cannot say that I feel Saskatchewan has been impeded, was that the word you used, by inheriting this position. I do not think I could honestly say that.

Mr. BALLARD: But you do feel though that in view of the concessions made, the CPR should be compelled to continue an efficient railway operation?

Mr. GRANT: I think I partially answered that earlier too, by saying that this certainly is a factor to take into consideration but I do not think it should be the sole factor because then I think it gets into the emotional field where you are not being realistic at all. It is certainly something that has to be considered, but I think you also have to consider the other factors as well.

Mr. SHERMAN: Thank you, Mr. Chairman. Since my colleague, Mr. Boulanger, mentioned Expo '67 a moment ago, I would be remiss if I did not take this opportunity to get in a boost for the other big show in '67 the Pan American Games in Winnipeg and say that we hope that many of those thousands of Canadians who will be travelling to Expo '67 will stop off in Winnipeg for the Pan American Games.

The CHAIRMAN: Let us get back to railway passenger service.

Mr. SHERMAN: Thank you Mr. Chairman.

The CHAIRMAN: Order, please. Mr. Sherman continue with your question.

Mr. BALLARD: I just want to mention the Calgary stampede!

Mr. SHERMAN: Mr. Chairman, would the Province of Saskatchewan be prepared to argue that there would be sufficient demand, sufficient patronage in western Canada in as far as your province is aware to support the maintenance of two transcontinental passenger trains along the lines previously known to Canada and western Canada by the CPR.

Mr. GRANT: I think it would be most difficult to argue now. I know I will be getting into trouble with some of my municipal colleagues who will probably argue that there is. I think the experience of the "Dominion" in its earlier days when it was a better run train probably would be the best answer to this. I would think that a two-year trial basis on an improved local service might provide some of the answers to the desirability of people who travel by rail along this route. I do feel that a daytime transcontinental service could affect a number of users but on the other hand I think it could be probably shown that the number of those who would come from their present "Canadian" service would just choose the day time or night time and the overall picture might not be any better. There are only so many people desiring to travel across the country and I am really not in a position to say with any degree of authority that there is sufficient to support two trains.

Mr. SHERMAN: I do not conclude from your brief that the province would argue this position as a justifiable one; that two transcontinental CPR passenger trains daily are justified any longer. If I proceed from the premise, that you do not believe two transcontinental passenger trains daily operated by the CPR are any longer economically viable or justifiable, then you are in favour of an additional type of service across the west of a local service nature as you

described in your brief and you feel this would take up the slack and fill the void now in existence in the rail passenger network across western Canada? If I begin from that premise, then I come to the question of whether you feel the time tabling and scheduling of CPR rail passenger service across the west is at the nub of the problem, the crux of the problem for Moose Jaw and other Saskatchewan centres at this time. If the time tabling and scheduling problem could be solved to Saskatchewan's satisfaction there would be no rail passenger transportation problem?

Mr. GRANT: Are you suggesting that if the "Canadian" could be re-scheduled for day time hours that this would look after our entire needs?

Mr. SHERMAN: Yes, I am suggesting even more than that. I am suggesting that if the "Canadian", for example, were operated on the old schedule that the "Dominion" operated on that this would take care of your needs. Would that be a valid conclusion?

Mr. GRANT: To this degree that you would be operating on social hours across Saskatchewan but you still would not have the local aspect of the numerous stops that a local service would provide. I am afraid that the "Canadian" gets into the position of providing local service across each province that you are then going to interfere with your transcontinental service. I know I personally would not be very happy about stopping at each little stop between here and Vancouver on the "Canadian".

Mr. SHERMAN: The "Dominion" did provide that local service and we have reached a point now perhaps in the "Canadian" transportation picture where it is unreasonable for a person who wishes to travel from Montreal to Vancouver to do so by train. The obvious way to go now particularly if time is of the essence is by air. The transportation situation in Canada has changed to the point where perhaps the emphasis should be on a series of length and related local and regional services across the country. Would it be fair to conclude that the Saskatchewan government would take the position that when the CPR cancelled one of its transcontinental passenger trains that it cancelled the wrong train; that it should have cancelled the Canadian and retained the "Dominion".

Mr. GRANT: Never having ridden on the "Dominion" and having used the "Canadian" quite often, I find myself in a bit of a quandary here to answer that. Being an admirer of the "Canadian" I think it is one of the best trains in the world. I think there is a lot to be said in favour of what you are pointing out here because there is no doubt that people are more and more using air services. What we thought was quite an event ten years ago is now a daily occurrence with most of us travelling by air and it would appear that there is a trend in this direction. I wouldn't feel qualified to assess it, I am sorry.

The CHAIRMAN: Mr. Sherman, your time has expired unless you have your last question for this round any way.

Mr. SHERMAN: Well my question is on the same lines that I have been pursuing this far, Mr. Chairman; it is just that I wanted to pin down the time tabling aspect.

The question of time tabling and scheduling seems to stick in the craw of a number of points across the west. It was germane to the arguments raised in Medicine Hat before this committee yesterday the fact that the "Canadian"

doesn't stop long enough in Medicine Hat to permit some of their normal commercial enterprises that used to be permitted on the "Dominion", and I just wondered if we could draw the conclusion that the "Canadian" in terms of facilities, in terms of luxury, of course, is a much better train than the "Dominion" but if it were operated on a schedule with the "Canadian's" facilities but operated on a schedule like the schedule the "Dominion" operated on would this provide a satisfactory rail passenger service for this community in your view.

Mr. GRANT: I would say, yes.

The CHAIRMAN: Mr. Rock.

Mr. ROCK: Yes. I was pursuing the same kind of questioning and most of them are answered but your proposal actually is that the "Dominion" should be replaced by a series of day liners across the country to give the local service during daytime.

Mr. GRANT: My proposal is the failing of a service similar to what was previously provided by the "Dominion" and this is a suggestion. There is no use just sitting back and forth protesting the withdrawal of the "Dominion" and not having something to suggest to replace it, and this is our suggestion.

Mr. ROCK: The City of Moose Jaw—I will put it a better way. Is the CPR the only Canadian company that operates in the city of Moose Jaw or does the CNR also operate here? Freight and passenger?

Mr. GRANT: I have always thought of Moose Jaw as CPR. Now I am not going to tie myself down and say—yes, I believe there is a CNR freight service in.

The City of Moose Jaw will be presenting its brief next. I believe there is a CNR freight service in.

To answer your question the CNR does provide a freight service in.

Mr. ROCK: Freight service but not passenger service.

Mr. GRANT: No.

Mr. ROCK: Now what type of service have you say dayliner or passenger service between the City of Moose Jaw and Saskatoon and say Prince Albert. There is no train service at all for passengers.

Mr. GRANT: No passengers.

If you want to go to Saskatoon from Moose Jaw you would have to get on the "Canadian" and go to Regina and then catch the rail liner from Regina to—

Mr. PASCOE: Quite a few of them are driving up to Chamberlain and leaving their cars and taking the dayliner up there.

Mr. GRANT: I would suggest that if you want to travel by rail that is the only way you can go. You can travel by car part way and then take the rail line.

Mr. ROCK: Do you believe that in that case Moose Jaw should have a dayliner service between principal points of your province?

The CHAIRMAN: Mr. O'Keefe.

Mr. O'KEEFE: Mr. Chairman, Mr. Minister in view of the questions already said here this morning, may I mention the fact that this come—

The CHAIRMAN: Gentlemen I think you could do your P.R. selling jobs during your lunch hour and your dinner hours.

Mr. O'KEEFE: Mr. Byrne, would you advocate nationalization of the CPR?

Mr. BYRNE: No, Sir.

The CHAIRMAN: Mr. Olson.

Mr. OLSON: I have two questions. Mr. Minister in the discussion respecting this overall transport authority when you were questioned briefly about this a few minutes ago. I would like to know whether the Province of Saskatchewan has considered the matter of the provincial jurisdiction involved in this if you were to include highway traffic and if you have, are you prepared to surrender some of your jurisdiction to this national transport authority.

Mr. GRANT: I would say we would be. Other provinces do not share this. We have had one or two meetings on this very subject of the national highway policy and the more we get into it the more we realize that it ties in with an overall transportation policy not just highways and to date there has been no representation made to the federal government but I expect there will be if they can ever sort out thinking. But in western Canada we are more receptive to this than some other spots.

Mr. OLSON: One other thing that I want to be clear on because some of the members have assumed or I think they have assumed from some of the remarks in the questions they have asked you that the official position of the Saskatchewan government is now to ask for some dayliner service in the daylight hours rather than for the restoration of the Dominion or another transcontinental train and I want to ask you this. Did the Saskatchewan government officially appeal to the Privy Council to reverse the Board of Transport Commissioners' judgment when they allowed the discontinuance of the "Dominion"?

Mr. GRANT: Yes, we did.

The CHAIRMAN: Well, Mr. Grant, thank you for the very kind submission on behalf of the government of the Province of Saskatchewan. I know you are somewhat busy and in a hurry to depart but I do want to on behalf of myself and the committee thank you for attending and presenting this brief by the government itself. Thank you.

The next brief will be that of the City of Moose Jaw presented by His Worship Mayor Louis H. Lewry. Mr. Mayor.

Mayor LOUIS H. LEWRY (*Moose Jaw*): Mr. Chairman, and gentlemen, the city of Moose Jaw is the third city in the province of Saskatchewan with a population of approximately 35,000 people. Before the second World War, Moose Jaw was considered the industrial and railroad centre of the province. With the rail service having been cut on the main line and branch lines out of Moose Jaw the number of railroad employees on the Canadian Pacific Railway has dropped drastically. Moose Jaw is however, still an important trading and industrial centre. Although comparatively, within the province, it is not as important as it

was prior to the reduction of rail and air service. When the air transport board had a hearing in Moose Jaw in July 1958, the City of Moose Jaw and the Moose Jaw Chamber of Commerce were advised that no scheduled air service was required in Moose Jaw. Moose Jaw had an adequate rail service. With the removal of trains 3, 4, 13, 14 "Dominion" and particularly when you take into consideration the hours at which the Canadian passes through Moose Jaw, it is fair to say Moose Jaw at the present time has a completely inadequate rail service.

It should be pointed out also that at one time the Sault Line service out of Moose Jaw was the most important link between western Canada and the American mid west. This passenger service has not been in existence for some five years and prior to that was downgraded to such an extent that it was of little or no use to the travelling public. With the elimination of air service into the city, and with the considerable reduction in train passenger service, it is increasingly difficult to encourage new industry and business to locate in this city.

We have been advised by the top officials of Kalium Chemicals that they would consider locating an office in Moose Jaw but one of the factors that discourages them taking any action in this regard is the complete lack of air services.

There are at present great developments in oil and potash in the province of Saskatchewan. With this resource development there has been a subsidiary industrial development within the province. Moose Jaw has not benefited from these developments as it should nor have we had the population growth that other cities in the province have had, a significant factor in this regard is the inadequate passenger service available to business people particularly.

It is pointed out that the city of Regina as well as being provided with reasonable facilities to connect with the "Canadian" does have excellent air service. We understand that the Regina Airport, located in the centre of an ever expanding residential area, has to be extended further at a cost of approximately \$750,000 in order that D. C. 9 jets might land. We wonder if the government should not take a hard look at such an expenditure, when it is reasonable to expect that within a few years these facilities will have to be moved. We in Moose Jaw hope that any new airport will be located in an area midway between the city of Moose Jaw and the city of Regina, where it will be of benefit to the citizens of both cities without inconveniencing the citizens of either.

It is respectfully suggested that in order that the citizens of Moose Jaw might have the facilities of the present Regina air service made more readily available to them provision be made for a subsidized limousine or rail service from the City of Moose Jaw to the Regina airport.

We have suggested already that the service provided by the "Canadian" is so unsatisfactory and inconvenient, that the citizens of Moose Jaw are certainly discouraged from using this train. Could we in Moose Jaw not have a service similar to that provided to the citizens of Regina or could not a connecting service be provided between Moose Jaw and Regina to make the "Canadian" more attractive to our citizens. It is suggested for the convenience of the citizens of Moose Jaw and in fact of all Saskatchewan, that an adequate rail service

should be provided at reasonable hours. At the present time if you are a resident of the Cities of Brandon, Portage La Prairie, Regina, Moose Jaw, Swift Current or Medicine Hat and you have business in one or the other centres at the present time you have no alternative but to travel by private car. This is of course an inconvenience to the business people and the public at large.

I would like to point out, Mr. Chairman, that there are an increasing number of people taking their private cars to Chamberlain, 30 miles north of Moose Jaw, taking a CNR Dayliner from Chamberlain to Saskatoon and using the transcontinental CNR service from that city.

Many business people would prefer to make such a trip by rail if a convenient service were available, to devote more of their time to check files, attend extra conferences and merely relax. There are still many members of the public who do not have cars or because of health, age or are unable to drive a car. A reasonable rail service should be available to these citizens. In this regard we would suggest a "Day Liner" service be established linking up the main centres along the main line of the Canadian Pacific Railway such service might also link up these centres to the service presently provided by the "Canadian".

Because of the extreme climatic conditions in Western Canada there are times when it is impossible to travel by auto, bus or air, whereas the trains are usually able to get through under the most adverse conditions. We feel one of the obligations of the Canadian Pacific Railway is to provide a reasonable and adequate rail service.

As Mayor of the city of Moose Jaw I have received a number of complaints from Canadian Pacific Railway pensioners pointing out that whereas they (the pensioners), were permitted to ride on the train known as the "Dominion" with a pass, they must now pay a portion of the fare to ride on the "Canadian" and a full fare for any sleeping accommodation, if there is such accommodation available. The pass privilege was a term of employment and it is suggested that the Canadian Pacific Railway throughout the years has used the privilege as an argument when negotiations between labour and management were being carried on. They are now apparently refusing to accept any responsibility in this regard.

After the recent hearing before three members of the Board of Transport Commission, Commissioner J. M. Woodward, submitted a minority finding in which he states: "Having given full consideration to all the information made available to the Board regarding alternative methods of handling summer traffic should the "Dominion" not run during the holiday period, I am not satisfied that public convenience and necessity would be met in full by the services provided by buses, air lines or the remaining space available on the "Canadian" or on CNR passenger trains." Mr. Woodward goes on to say "In the light of experience over the past few summers, when reservations on trains of both railways had to be made a considerable time in advance to insure the securing of space desired, I must conclude the following:

- (1) That a good segment of the travelling public must prefer train travel to other modes of transportation, when they have been arranging

their travel plans so far ahead in order to secure suitable accommodation.

- (2) Should this segment of the public be deprived of the facilities of the "Dominion" during the summer season and be required to look elsewhere for transportation, the remaining facilities by rail, air, or highway bus would be overtaxed to a point that would result in much inconvenience, if not a degree of chaos. This demand for rail accommodation, I am convinced, will increase in 1966 and particularly in 1967, Centennial Year."

Mr. Woodward goes on to say, "I cannot lose sight of the fact that, throughout the breadth of Canada, Canadian Pacific to a considerable degree serves areas and cities not served by Canadian National." and "However, having weighed the prospective deficits against the real need for the train in the light of alternative transportation facilities, I can reach only one conclusion and that is that public convenience and necessity can best be met by the operation of the "Dominion" during the period of heavy summer tourist travel."

We would go further and say that the public living in the cities, in the towns, in the villages and on the farms in the southern part of the prairies are entitled throughout the year to have travel facilities open to them.

The profit motive was not the prime motive for the construction of the Canadian Pacific Railway. We would recommend that this Committee should look not only at the economic figures in a matter of this kind but that you should most seriously consider the interests of the humblest of our citizens. We suggest that Mr. Woodward's statements are most significant. In this regard also we would say that profit and loss presented by the Canadian Pacific Railway to the Board of Transport Commissioners with respect to the "Dominion" and indeed with respect to all passenger services are no more reliable than any statistics which have been prepared in support of any particular argument. We feel figures can be presented to support or destroy any such argument.

We would refer this Committee also to the Annual Report for the Canadian National Railway for the year 1965 under the heading "Outlook", the following is said:

"Canadian National considers that over the past few years it has been carrying out an energetic and forceful experimental passenger sales program which has consisted of (a) management organization, (b) marketing, and (c) changes in operation. During this period the company took a positive stand on the need for expanding the passenger business and the benefits to be derived by the public from its use, and intensive efforts have been made to attract the public rail service as a modern, reliable, efficient and pleasant mode of travel"

If I may detract, Mr. Chairman, I would like to say that the 1965 report of the C.N.R. indicates that as a result of this program passenger services revenues of the C.N.R. increased six and a half million dollars or 12.5 per cent reaching a total of 58.3 million for the year 1965.

We would suggest that there is a responsibility also to see that the services are available in the less densely populated areas which are areas also for future development and such development will be hindered if proper travel

facilities are not available. We would respectfully suggest that where the policies of the two railways differ with respect to the development of a paying passenger service that serious consideration should be given to a co-operative program whereby passenger service would be turned over to the Canadian National Railway who are apparently interested in providing and developing this much needed service.

Apparently the profit motive is important in our system. However, it should not be of paramount consideration in the operation of our railways. Because of the size and the geographic nature of Canada national policy, and particularly national unity are the first consideration.

The MacPherson Commission report was, under its terms of reference, bound to place great importance on the financial structure of the railways. But does anyone need to be concerned in this regard with respect to the Canadian Pacific Railway. For instance, the Canadian Pacific Railway in its annual report for 1965 shows profits of over forty million dollars in rail earnings in addition to which are the earnings of the Canadian Pacific Investments. Dividends on ordinary stock were increased from One Dollar (\$1.00) to One Dollar and Forty Cents (\$1.40) per share.

In closing, Mr. Chairman, we suggest the program and future plans of the Canadian Pacific Railway should be such as to encourage the future growth of the western provinces, and in this way today's needs of the individual citizen for reasonable, convenient, comfortable and dependable transportation would be taken care of.

Primarily, we believe this committee should ensure that rail policy in Canada should have the same foresight and faith in our future as that shown by the political, financial and industrial giants of eighty to one hundred years ago, who established the country and our transcontinental rail system.

The City of Moose Jaw, Mr. Chairman, urges this parliamentary committee to recommend a national transportation policy for all types of transport under a single administrative board of transport.

Respectfully submitted.

The CHAIRMAN: Thank you very much, Your Worship. I just want to point out two things that have come up in the brief which this Committee has discussed before. One is the matter of air services and airports. Although this committee is very interested in this, as it should be, our terms of reference do not bring us into recommending the location of any air terminals. Also, as far as the passes of employees or former employees of the C.P.R. are concerned, this matter has been discussed before in another brief, but it has always been ruled that this is an internal matter of negotiation between labour and management itself. I will open the questioning with Mr. Saltzman.

Mr. SALTSMAN: Mr. Chairman, Your Worship, I would like to pursue the line of reasoning which has been advanced by Mr. Sherman regarding the nature of railroad services and perhaps in this city we will have an opportunity of assessing it a little better than we have in any other area. The question is this: Should railroads really be in the transcontinental business at all, or should we be thinking in terms of local areas and market areas connecting with other means of transportation. As has been pointed out, the service during what has been called social hours of the day seems to be far more satisfactory to the local

residents than was the service of a train going through in the middle of the night. I would appreciate any comments you would make in this regard.

Mr. LEWRY: I would say I think we need both.

I think the two trains the "Canadian" and the "Dominion" were successful. The "Dominion" was unsuccessful because the CPR reversed its policy of trying to promote the development, and the use of that train reversed its policy because it wanted, to our mind, to get out of the passenger business and I suggest they are going to do the same with the "Canadian". They made it quite clear that they are not interested in the passenger service. I think we need two transcontinental systems for two different purposes.

Mr. SALTSMAN: The time may be reached where it may not be possible from an economic point of view, although I should point out in the brief there are other considerations and I agree there are other considerations. But even with the other considerations it may not be economic to have two such services and some choice may have to be made especially when you indicate the need of a national transportation policy where we will have to allocate certain forms of transportation for certain purposes. Perhaps air travel to transcontinental purposes, railroad services for more or less local and regional needs. If the time is ever reached—it may not come—when this kind of decision has to be made, which in your opinion is the more important aspect of train service, the meeting of local needs or the transcontinental aspects of railroads.

Mr. LEWRY: I would say the meeting of local needs is the more important one. Balanced against us of course is the fact that the Canadian we are told is being use to a great extent.

● (11.40 a.m.)

I agree that the Air Transport has taken a great deal of the use of the transcontinental service, but I think there is still a need for both of these services. I think it is your job, of course, as a member of this Committee to decide, and I think you are trying to get the opinions to decide which would have to go if one has to go. I think if there should be some connection linked between the cities, the dayliner service between Saskatoon and Regina is certainly used, because the people find this convenient. It is put in there, for business people; they can go up and come down on the same day; they can spend a certain amount of time in Regina. To go to Regina from Moose Jaw, to go by train we would have to take the "Canadian". Even to catch a plane in Regina, we have to go by bus or by private car. There is no connection at all.

Mr. MACEWAN: Mr. Chairman, I take it Mr. Mayor from page 3 of your submission that if given a choice, if it came down to that, the priority would be in the establishing of a service such as a day liner service for linking up the main centres along the line.

Mr. LEWRY: If we were given a choice, yes. I still say that both services are necessary. Why should we have to make a choice when they have deliberately downgraded the service on one so that we would have to go without a service.

Mr. MACEWAN: You are stressing on page 3 of your brief a sufficient local service linking up the main centres on the line and also I take it that this would have to be provided as mentioned by Mr. Grant at social or reasonable hours—something that would present a good service to the travelling public. Now, you believe that if such a day liner service were established, and just

limiting it to a matter of service from your own city here in Moose Jaw, there would be sufficient traffic to warrant such a day liner service to other centres.

Mr. LEWRY: I am sure of everything I say here—the only comparison we have now is the service between Regina and Saskatoon and I am sure. There is no use putting a train on and saying it is here. I think we have got to do the same as the CNR is doing and put on a different policy to make sure it is used and I am sure the people will use this type of service where they can relax. Even the Members of Parliament who are here today could not relax on the Canadian because of complications which were not the fault of the CPR I imagine. But if you can use this type of train, if they will promote the use of it I think it would pay its way.

Mr. MACEWAN: Would you suggest a period of trial for such a service and, if so, how long do you think it should be tried out?

Mr. LEWRY: I think a two year period.

Mr. MACEWAN: Two years?

Mr. LEWRY: I think it has to be at the same time. I do not think there is any use anyone ordering the resotation of the "Dominion" and saying it is here if you want to use it. I think you have got to promote this thing. You have to sell it.

Mr. MACEWAN: If it is shown by figures that such a service, local service, was not economic do you believe that any deficit should be picked up by the Canadian taxpayers or would your city and other cities—just speaking for your own city—be willing to contribute to any deficit that was shown in such a service.

Mr. LEWRY: We are already picking up a deficit so far as bus transportation in the city of Moose Jaw is concerned. No, I say it should be at the national need and it should be met by the national treasury.

Mr. PASCOE: Mr. Chairman and Mr. Mayor, I think this brief put out quite effectively the arguments for Moose Jaw, the terms of reference under which we are meeting asked us to consider adequate passenger service for the points and you certainly bring it out here. It is fair to say Moose Jaw at the present time is a completely inadequate rail service. I want to put that on record, because that is what we are here for. You agree with that—at least you must.

Mr. LEWRY: Thank you, Mr. Pascoe. The members of this Committee will recall that there was a delegation to Ottawa at the end of March and one of the questions was "How did you get here". Sure, we flew. But I want to say that when I reported back to our city council here that the superintendent of the Canadian Pacific Railway was present with the Chamber of Commerce delegation on another matter and he said he was waiting to hear from me; that he had a special reservation on the " 'Canadian' for the Mayor," it was right to give special privileges to the mayor of the city but not to ordinary people. I object to this.

Mr. PASCOE: I just want to emphasize that again in your brief. Moose Jaw has a completely inadequate rail service. You have heard of that.

Mr. DRISCOLL: No, at our hearing in Ottawa, and I think this comes under the terms of reference, we brought up the point of passenger service and the

effect of cancelling passenger service on the interest and development of the community. I think you brought this out very well—but you see the number of Moose Jaw was the railway centre but now the number of railway employees on the Canadian Pacific has dropped drastically. Could you comment on that a little bit more?

Mr. LEWRY: I think Mr. Chairman, Mr. Pascoe, that you will have a brief presented in the near future at this hearing by the Railway Labour Association. I am sure they have the figures at their fingertips a lot better than I have, but I do know that the CPR was one of the leading employers of labour not too many years ago in the city. This has certainly dropped off now. I do not have the figures at my fingertips but these are available from the—

Mr. PASCOE: Now this point about the dayliner has been brought up quite a few times and I have brought this up myself and you refer to a link up of the centers with the “Canadian”. You have that in mind that we could work out some sort of dayliner that would feed into the “Canadian”?

Mr. LEWRY: I would suggest that at the time the schedule working that if they could provide a service to the City of Regina. Not too many years ago there was a train left here at one hour and returned the next hour from Regina. They had a shuttle service. I think this is too much of a service but at that time it was used. I do not suggest it was used by too many passengers at that time but I think if they would provide us with a two or three daily service as they are doing between the city of Regina and Saskatoon, if they would provide a one-way trip to Medicine Hat and Calgary out of Moose Jaw. We would be only too pleased to see them establish a service emanating from Moose Jaw. After all this is a divisional point of the Canadian Pacific in Saskatchewan. If we should eliminate lines from Moose Jaw to Calgary and to Winnipeg on a rail liner service basis then if they want to go further to use the national system from there.

Mr. PASCOE: This question has been asked before but I do not think to our present witness. This suggestion of a dayliner is just as an alternative to restoration of the “Dominion” as it used to be. Would you sooner have the “Dominion” restored as it once was?

Mr. LEWRY: I think Mr. Pascoe that the “Dominion”, otherwise known after it was restored for a short time as Toonerville trolley is a dead horse and I do not think we are going to get it back. I do not think it is any use in the form that it was.

Mr. PASCOE: Are you sure you are not fishing for that?

Mr. LEWRY: No, I think a rail service is a more modern up-to-date rail dayliner service. May I point out that the Canadian National has said with regard to their dayliner and their passenger efforts that these experiments have established that there is a large market for inter-city transportation in Canada and that taking into account competitive transportation services the railway can economically fulfil a role of inter-city transportation in areas of relative heavy density of population and similarly in those areas where indications of activity in the travelled market are such as to be likely to produce a level of revenue which would meet the cost of the service. On the one hand you have the CNR who is progressively expanding trying to provide a service and they have a

future outlook program. The CNR has completely given up the passenger service, they are going out of it and they are making no bones about it. The first of this month they instituted new passenger rates out of Moose Jaw right in the face of this Committee coming here. If you could be charged with contempt of the House of Commons the Transport Committee should have them in here to explain why.

Mr. PASCOE: Increase in what way?

Mr. LEWRY: They are increasing the rates.

Mr. PASCOE: On page 5 you say if we were to go further to say that the public living in the cities and the towns, villages and on the farms, are entitled throughout the year to have reasonable travel facilities open to them. Entitled in what way? Are you referring to the 1880 contract of running the railway.

Mr. LEWRY: Yes. They should have rail service.

Mr. PASCOE: They are entitled to under that contract.

Mr. LEWRY: Under that contract. I know that the problem this committee has is deciding whether it is legal or moral. There is no legal right according to some members.

The CHAIRMAN: One last one Mr. Pascoe.

Mr. PASCOE: Just one more. At page 6 you refer to a co-operative program in that passenger service would be turned over to the Canadian National Railways. Do you mean joint running rights or would they have running rights over the CPR. Is that what you have in mind?

Mr. LEWRY: If the CPR is not prepared we are suggesting that they could co-operate—the two railways could co-operate—they had the pool trains in the east. They have the joint running tracks to service industry and market warehouses in this city. Certainly they should be able to co-operate to provide some kind of rail passenger service.

Mr. OLSON: Mr. Chairman, I sincerely hope that we do not get into a procedural wrangle respecting whether or not it is within the terms of reference that we can discuss this matter of pass privileges that have been granted to employees of the CPR and particularly retired employees of the CPR. I regard these passes as prepaid passenger rights and our terms of reference state very clearly that we are to consider the adequacy of the present program and future plans for passenger service. We did ask some questions about this in Vancouver, Calgary and in Medicine Hat. I just wanted to say this so that we would avoid any serious procedural wrangle, because I am not only prepared but disposed to give you a substantial argument that these pass privileges are within the terms of reference, if necessary.

The CHAIRMAN: You would not want me to pass up a comment on your remarks, I am sure.

The matter of passes were brought up initially because they were mentioned at our former hearings. Some questions were allowed on it, and it was said they were an internal matter of negotiations between labour and management. The committee as a whole agrees with me on that but I will not get into any problems with you at this time until I hear your questions.

I would add that we have a long day ahead of us, gentlemen, and we should get down to business. Thank you.

Mr. OLSON: Your Worship, on page 4 of your brief you say that you have received a number of complaints from CPR pensioners pointing out that their passes no longer have the same value that they had when the "Dominion" was running. Then you go on to say that this pass privilege was a term of employment.

This is something new. We did not hear before whether these pass privileges were in fact written into the contract. Do you know whether they were or not?

Mr. LEWRY: No, I would not suggest that they were written into a contract but I am suggesting that it was a privilege, as the CPR states, a privilege but a part of the employment of the wages as far as the railway was concerned. This was one of the things that were added. I am told today by one of the pensioners who is in this audience that he is also charged for \$600 on his income tax because of his pass. Well, I am not sure if this is correct but this is what he tells me, that he is charged \$600 a year on income tax and has to pay it on it. I have no personal experience, I admit. I have personal experience, my mother is the widow of a CPR pensioner.

A year ago last November, and I told this to the Board of Transport Commissioners at the time of the hearing in Regina, I phoned the CPR for a reservation to Vernon, B.C., from Moose Jaw in early December of 1964. I told them I wanted a full section; I thought I should also tell them that my mother was on a pass as a CPR widow. I was told that I could not make that reservation until a week before it. This was in Moose Jaw my home city. I phoned to Regina and within five minutes had that reservation. I neglected to make the return arrangements. I phoned back to the CPR a week or so later and wanted to make the return reservation. I was told I could not do this until a week before I returned. A week before I returned I was going to be in Vernon, B.C. So my language was not parliamentary at the time Mr. Olson, but I suggested that if this was what I had to do I could still go back to Regina, but this is ridiculous. Moose Jaw is a divisional point of the CPR. They make it as difficult and as inconvenient as possible to use their services.

Mr. OLSON: I just want to get the fact as to whether or not it was actually written into the terms of the contract between the union and the CPR. You say that it was generally understood by both sides in the negotiations that these pass privileges, particularly on retirement, were part of the whole deal.

Mr. LEWRY: I suggest that this was part and parcel of their wages at the time that this was written into—they receive pass privileges. Now, as I indicated to Mr. Pascoe you are going to have representation made by the railway labour association. They can answer this question more adequately.

Mr. OLSON: To clear up this term of employment matter, your Worship, I would like to ask you about what you have called an administrative board of transport to include all types of transport and so on.

This has been brought up, as you are probably aware, at almost every one of the hearings and we are keenly interested in this because we would like to find out if we can, or to hear as many opinions as possible on how this should be

set up. You have used the words "administrative board of transport", which is a new phrase, if I may put it that way. Are you suggesting that this replace the present Board of Transport, which acts as the regulatory body for railways and certain other things and that it should also replace the Air Transport Board and the Maritime Commission and so on?

Mr. LEWRY: We are suggesting that they have a single board.

Mr. OLSON: An administrative board?

Mr. LEWRY: If necessary: our problem here as far as the present Board of Transport Commissioners is concerned is that we feel that they are prejudiced towards the railway company because most of them are ex-railway people. It is difficult because of their terms of reference to get over the points as far as economics—they admit that they did not consider economics as far as the "Dominion" was concerned. We are suggesting, if necessary, we put in a board of transport administratively to regulate and control all forms of transport.

Mr. OLSON: Should this board also be primarily concerned or at least—was this concerned with determining overall transport policy as well as administering it?

Mr. LEWRY: I think they should certainly make recommendations of policy to parliament. After all the terms of reference are set out by parliament. Policy is set by government.

Mr. OLSON: Your Worship the last area I want to discuss with you is the statement you made to the effect that the CNR should take over some of the passenger service from the CPR. At the bottom of page 6 I think, you say, "a co-operative program where passenger service would be turned over to the Canadian National Railway who are apparently interested in providing and developing much needed service." I would like to know whether you are suggesting that this be done on a national scale or only for certain specified areas or for specific services.

Mr. LEWRY: Of course, my personal view, Mr. Olson, is that they should take over the whole darn works and let the CNR run it. They are prepared to run a railway service and apparently the passenger service the CPR is not. I think this would be done on a national scale.

Mr. OLSON: Well are you talking now about the whole CPR complex or just the passenger service?

Mr. LEWRY: No, my personal opinion is that the railways should be nationalized.

Mr. OLSON: Well, that is a different argument from what you say here.

Mr. LEWRY: As I said when we were in Ottawa, what we want is suitable economic reasonable rail passenger service on a co-operative basis, if necessary, nationalization. As an example, might I suggest that we could, if necessary, have the CPR and CNR connect a service from here to Saskatoon. To connect with the CNR if the CPR are not prepared to give a national transcontinental system.

Mr. OLSON: I am especially interested in this word "co-operative program" for passenger service and again I am not quite clear whether you are advocating

this in a provincial concept just for Moose Jaw area or should it be done on a wider scope.

Mr. LEWRY: No, I think it should be done on a wider scope. You are doing this down east now.

Mr. OLSON: Where?

Mr. LEWRY: Well, we have ordered the CNR to take over some of the runs that were vacated by the CPR. They are doing it on pool trains. They are doing it on marketing warehouse spur tracks. They cooperate. Why could you not do it with the passenger service.

The CHAIRMAN: Now, before we continue, gentlemen, I would like to point out that it is my intention to continue until one o'clock and then adjourn until two for lunch. The briefs we will be hearing before lunch, in order to accommodate some people who do not wish to wait will be final questioning of the City of Moose Jaw brief, and the City of Regina will be called next, Mayor H. H. P. Baker, and I think that will take us probably until one o'clock.

Mr. FAWCETT: Mr. Chairman, Mr. Olson got into an area there which interests me and this is in connection with a co-operative policy or program between the Canadian National and the Canadian Pacific to handle rail passenger business. I think I should at the outset say that I am sceptical that the rail passenger business can be profitable. I have had such experience on the railroads that I do not feel it ever could be a profitable business. While there is the possibility that it could pay its way and make a very meagre profit I do not think it could be given the status of a profit-making business and this is why I want to get to this question that Mr. Olson has dealt with and that is—let us put it this way—burdening the Canadian National with extra passenger service which is not, I am quite sure, a profitable business, thereby putting the Canadian National in a position where they cannot handle a freight business. Now we are going to get into a situation here where we are going to be faced with subsidies. Would you say that in your opinion we should subsidize, if it is necessary to turn the Canadian Pacific passenger traffic over to the Canadian National? Would you feel that the citizens of the country would be prepared to subsidize this to a great extent, because I am sure this would be what the country would be faced with.

Mr. LEWRY: Yes, I would say that they are. We are prepared, the citizens of Moose Jaw, the citizens of Regina, almost every city is prepared to subsidize a system as far as local service that is required in the cities is concerned. If the service is desired and required on a national basis, then it has to be subsidized. The question as far as the co-operation is concerned, it seems strange to me that every second night when I listen to the Canadian television network that you hear this newscast is brought to you at 11 o'clock by CNR-CPR through telecommunications. They can co-operate on a national basis for a profitable enterprise but they cannot co-operate apparently or refuse to co-operate on a passenger system which is necessary.

Mr. FAWCETT: I wanted this on the record because I feel that this is going to be one of the things that we will have to be concerned with. The fact that if Canadian National are going to be burdened with the passenger traffic that the

Canadian Pacific evidently are not going to handle we are certainly going to be faced with further—

Mr. LEWRY: We do not consider it Mr. Fawcett as a burden because they say in their report that passenger service revenues increased six and a half million. They are going out after the passengers' business so they certainly do not consider it a burden.

Mr. FAWCETT: Well, I am not going to get into an argument with the Canadian Pacific or Canadian National experts but I am just going to state an honest opinion that while I feel that their revenues might be up I am also quite sure that their expenses are up and I am going to stand on this statement that I don't think passenger traffic is a profitable business and that is why I think we should be prepared for additional subsidies. That is all I have Mr. Chairman.

Mr. BELL: A supplementary. I would just ask the witness if he would leave the freight with the CPR.

Mr. LEWRY: As far as I am concerned I would nationalize the whole "shebang".

Mr. REID: You read, Mr. Lewry, some excerpts from the CNR report. Was there a figure given in the CPR report of the deficit of the passenger revenues?

Mr. LEWRY: Not without checking it; I do not believe so. They say they reached a total of \$58.3 million for the year—for the passenger revenues.

It represents apparently on the revenue picture 7.1 of their total revenue.

Mr. REID: My impression is, I stand to be corrected, that the passenger deficit was about \$45 million, in the total deficit overall. They made a profit of around \$40 million and after they paid their fixed charges they had a deficit of \$45 million in total.

But they did have a deficit of substantial proportions in their passenger service and while they may have increased their passenger revenue their passenger deficit also went up.

The CHAIRMAN: Mr. Reid, we are not investigating that right now. Although it is in the brief; there is some comparisons between CNR and CPR. You will have a chance to examine the CN when they appear before us.

Mr. REID: I would like to ask you a question on the efficacy of other passenger services. What bus service is provided say between Moose Jaw and Regina city?

Mr. LEWRY: We have the minister here. He is the minister in charge of it. I think it is fairly adequate.

Mr. REID: The thing that bothers me is that all during the hearings we have held we have found the bus service quite complementary and quite adequate. In many cases the ride is much smoother and it seems to me that there is almost a class distinction between those using the bus service and those wanting to use rail service, and it is not that the service is any better or that the ride is any better. It is just that in the west it seems to be ingrained that the rail service is the transportation system, and they have not really caught up with the fact that

there are other methods as well that are just as good or perhaps even better. There is more flexibility. Would you comment on that.

Mr. LEWRY: That is all the connection we have at the present time.

Mr. REID: Is it used?

Mr. LEWRY: I would say yes.

Mr. REID: In other words it would not really be necessary to put rail service on a day liner basis between here and Saskatoon or here and Regina city if the bus service was providing an adequate means of transportation.

Mr. LEWRY: You can get faster service on the trains than by bus; this would be one of the considerations.

Mr. REID: Now, you made a comment that the CPR is attempting to get out of passenger service. Could you tell me when this process began and what form it is taking?

Mr. LEWRY: You were at the hearing when I was in Ottawa.

Mr. REID: Yes, I was.

Mr. LEWRY: I suggested then it was started when Buck Crump was night foreman in Moose Jaw in 1936 when I was a CPR employee.

Mr. REID: We know from the CPR testimony that they made the beginning of a concerted drive back in 1955 when they put the "Canadian" on. We know that in an attempt to bolster this drive that they reduced fares in 1961 in order to attract passenger service and we know there has been a steady decline over the years in passenger people. In your own brief on the first page you point out that the Sault line gave up passenger service about five years ago. I would suggest to you that perhaps the CPR has a legitimate point in saying that they have not deserted the passengers but that the passengers have deserted them.

Mr. LEWRY: True, I think you can say this, but at the same time you have got to say that the passengers have deserted the CPR, because of the lousy service they have been given.

Mr. REID: The point is that they were giving excellent service and they did their best to merchandize it and yet in face of continuing astronomical deficits, according to them, they were forced to give it up. They were forced to degrade it. They could not afford to keep up all this equipment with the revenues that were coming in.

Mr. LEWRY: I would say that they have been downgrading it for a number of years, and they were not prepared to meet the modern changes that were necessary in providing better service?

Mr. REID: What modern changes?

Mr. LEWRY: Meals and—

Mr. REID: Have they always had the reputation of—

The CHAIRMAN: I think we are getting into arguments here, Mr. Reid. We are not for arguments, so ask your questions and the witness will give his answers. Let us not get into arguments over opinions.

Mr. CARON: Just a correction here, Mr. Chairman; Mr. Reid, said that the deficit was \$45 million. We can see in the report that it is only \$23.9 million.

Mr. REID: No, that is CPR. Mr. Caron. I was speaking of the CNR deficit.

Mr. BALLARD: I was very interested in reading the reprint from the *Trade and Commerce* magazine that was placed on our desks this morning and I was interested in one thing mentioned here about the Kalium potash plant and I was surprised to see it mentioned in your brief also. I am a little disturbed by the fact that you say in your brief that the Kalium Company is considering locating their head office in Moose Jaw, but they are reconsidering this now because of the lack of transportation to Moose Jaw. Do you think if you could improve the railway transportation to and from Moose Jaw that the Kalium people would consider establishing an office here?

Mr. LEWRY: I think the important thing as far as they are concerned is air service, not a regular transportation service; I do not mean it in that sense. We do not even have an all-weather air-strip here outside of the RCAF station. We appreciate the RCAF station but we think we do need a municipal or privately operated airline facilities, other than RCAF.

Mr. BALLARD: I notice also in this brief that you have two airports. You say that you have two airports in Moose Jaw. Are they both privately owned?

Mr. LEWRY: We had a municipal port there and it expanded and had to move. The other is a privately owned landing strip which is not all-weather and is not lighted.

Mr. BALLARD: Do private aircraft land at the RCAF station?

Mr. LEWRY: Under an emergency or planned program, they can land there.

Mr. BALLARD: Regarding a couple of comments that you made in your brief I was wondering whether—you say the Mayor of Regina is here and he is watching you when you say that the city of Regina has excellent air service.

The CHAIRMAN: Excuse me a moment, Mr. Ballard. I think that as mentioned before the brief on air service, I do not feel we can go into the air service lines except where they are going to connect to passenger trains. I think your first questions on air services were quite proper because you were trying to find out if certain industries would set up offices if they had rail transportation. The mayor has indicated that they would not. I would like you to stay on the air services.

Mr. BALLARD: The only question I have left, Your Worship, is, did you make a request before the Board of Transport Commissioners. You seemed to indicate in your answer to Mr. Olson that the Board of Transport Commissioners are biased toward the railways. Did you find in your hearing, or did you get the impression in your hearing, that the Board of Transport Commissioners were biased toward the interest of the railways?

Mr. LEWRY: I think this is a general feeling. We feel they are because everything the CPR asks for, they get.

Mr. ANDRAS: Much has been said in our hearings about the obligations of the Canadian Pacific Railway under the 1880 agreement, ratified in the act of 1881, which gave land grants and so forth. Could you give us any indication

the effect on the city of Moose Jaw over the years of these land grants that actually exist here or any other concessions that were made, as a result of that agreement? I am referring to their value to the CPR related to their existence in the city of Moose Jaw?

● (12.12 p.m.)

Mr. LEWRY: I do not have a figure. I should have this figure. We are losing thousands of dollars a year by not being able to tax the main line of the CPR which runs through the city. We think it is unfair. They do pay a grant in lieu of taxes as far as property that they have on the main line which is leased out is concerned. This in turn is passed on to the lessee. I would have to look up the assessment of each of these properties to see what each of these properties would be assessed. Over a period of years it would run in the millions of dollars. We figure the CPR owes us this.

Mr. SHERMAN: Could I ask a supplementary, Mr. Chairman. I would like to ask, Mr. Lewry, when the sentiment developed to the effect that this was not fair, that the city cannot tax the CPR property. I ask this because it is related to a question in my own city of Winnipeg. When the CPR was providing adequate passenger service, was there a sentiment that this position which allowed them to avoid taxes was unfair or did that sentiment just generate with—

Mr. LEWRY: I was there in 1950 to 1956 and the urban municipalities association as well as the provincial government back in those years, requested that they be allowed to tax the CPR. At that time they were providing fairly adequate rail service.

Mr. SHERMAN: So it is not a retaliatory feeling. The city has always wanted the right to tax?

Mr. LEWRY: I feel with every property we are providing municipal services and that if they use these services they should have to pay for them. And this should not only be done with the CPR but every other kind of service, including government.

Mr. O'KEEFE: In connection with nationalization, Mr. Mayor, I think your statement was nationalize the whole "shebang." Would you indicate just why you would do this? Do you have one or two reasons?

Mr. LEWRY: I think we would get much better service than we are getting. We are getting better service out of the CNR. I think you have a nationalized service now under CNR competing with private enterprise; they are cutting each other's throats, apparently. It is a necessary service. It is necessary to provide subsidies to give the service then let us take over the whole works and operate it as a going concern under the government of Canada. Railway transportation and railway passenger service is a necessity, so let us nationalize it.

Mr. O'KEEFE: Do you feel similarly about bus service? Bus service is transportation.

Mr. LEWRY: I am a socialist in a socialist province, sir, and I certainly do.

May I say, Mr. Chairman, I just had a story handed to me that we got another kick in the pants that Malair in Swift Current are ceasing air service to Moose Jaw until we build a proper landing strip.

Mr. O'KEEFE: I hope you can get the money to do it, Mr. Mayor.

Mr. LEWRY: I have \$36,000 to hand over to Mr. Pickersgill.

The CHAIRMAN: Mr. Mayor, I want to thank you and the city for the presentation of your brief. We had the pleasure of your attendance in Ottawa before with the western mayors and I certainly want to thank you for arranging the tour of the city this morning. I am sorry that more of us could not attend, but there was some mix-up in time of arrival and we thought it had been cancelled and then it was on again. We will look forward to seeing you again this afternoon.

Mr. LEWRY: Thank you, Mr. Chairman, for coming to Moose Jaw again instead of going to that other place 40 miles east of here. Is the mayor still here?

The CHAIRMAN: Gentlemen, before calling for the brief from the city of Regina, there was a brief to be presented by the Hon. Lionel Codair, M.L.A. for the constituency of Gravelbourg and W. S. Hall, M.L.A. However, both briefs deal with a matter that is not before us in our terms of reference. It has to do with rail abandonment and I have undertaken on behalf of the Committee to notify these gentlemen when this Committee is dealing with rail abandonment that will be coming before us at another time. We will take the briefs, file them with the Committee and at that time we will certainly notify the gentlemen and deal with their briefs.

We now have before us a gentleman from the city of Regina, His Worship H. H. P. Baker. You have the briefs already before you which have been submitted by the city.

Mayor H. H. P. BAKER (*Regina*): Mr. Chairman, first of all I would like to say hello and welcome the Committee to the area and the twin city of Moose Jaw. I would have hoped you had come 40 miles east of here but I am pleased to be here in the friendly city of Moose Jaw. I am pleased to be able to present this on behalf of our city and I will read the brief. It is a little lengthy but I think it may clear up some of the things so there will not be too many questions. However, we will see what takes place.

Mr. Chairman, the citizens of the city of Regina are truly concerned with the expressed objectives of the Canadian Pacific Railway. It is realized you wish to limit the views expressed to the present program and future plans for passenger services. This limitation is noted. However, certain points must be taken into consideration to prove the point "the expressed objectives of the Canadian Pacific Railway are not in the best interest of the city of Regina".

In the 1880's, the Canadian Pacific Railway along with other railways were fighting for public support to attain the "plum"—the right to be involved in the development of western Canada. At that time, the CPR visualized a whole complex involving passenger service, freight service, etc., and even the function of colonization. It was apparently the desire to dovetail all functions for a profit or a minimized loss on the over-all picture. The arguments of the 1880's resulted in the agreement between the Canadian Pacific Railway Company and the government of Canada. This agreement was ratified by the Act of Parlia-

ment on February 26, 1881 in perpetuity to "efficiently maintain, work and run the Canadian Pacific Railway". It was a "plum" and the CPR won.

The CPR main line first reached Regina 84 years ago. Since that date, the city has grown from a small outpost to a modern, attractive city of 130,500 people, a seat of government and education. This city which has long been a service and distributing centre for a rich agricultural area has developed to a centre of industry and commerce with fine convention facilities which, incidentally, are provided in a major way of Canadian Pacific Railway's Hotel Saskatchewan. During the next two years, convention facilities will be greatly expanded in order to accommodate the largest national conventions.

Regina was until early 1960, well served by the Canadian Pacific's then existing Transcontinental passenger service. Throughout the 1960's the passenger services have been gradually decreased and at the same time the CPR has discouraged patronage of its passenger trains by various means such as (1) giving poor service; (2) inconvenient schedules; (3) increasing fares; (4) refusing to sell available space on its trains; (5) making its reservation system inadequate and (6) its efforts to attract passengers and provide passenger services compare unfavourably with those of the Canadian National Railways.

This action by the CPR is and has been detrimental to the city of Regina and the whole of Canada. The ultimate discontinuation of passenger service would eliminate an important link of communication for its people as well as an important link with the rest of Canada east and west. It is to be remembered that among the great national, political and economic reasons for which this railway was built was to unite east and west, to develop the west and to create a nation.

The foregoing evolution is a fact. This is taking place despite the fact the 1881 agreement provided that the CPR was to "efficiently maintain, work, and run the Canadian Pacific Railway." We do not believe that it could be fairly contended that fulfilment of that undertaking by the company may be accomplished by operating the railway for hauling freight and by providing passenger service only where it can do so at a profit. This is the position which the Canadian Pacific Railway appears to take and is expressing from time to time, in its written words. To cite an example, the CPR points to the loss on its passenger operations which for 1964 is stated to be close to \$26 million and that approximately three-quarters of this loss was sustained in the transcontinental passenger service. When these figures are related to the statement of revenue and variable cost on "The Dominion," the inference is present that a part of the loss incurred on the transcontinental passenger service resulted from the operations of "The Canadian". The company states:

"To meet its obligation to operate efficiently, Canadian Pacific must take steps to eliminate such losses."

Apparently the policy in this respect is to eliminate the losses by eliminating the passenger service and particularly the transcontinental passenger service to which nearly three-quarters of the 1964 loss have apparently been charged.

It is respectfully submitted that the words "efficiently maintain, work and run the Canadian Pacific Railway" are too narrowly interpreted in that the steps proposed to eliminate the loss involves the elimination of one of the main objects of building the railway and for providing vast subsidies as well as important concessions, powers and franchises to the company in consideration of its undertaking not only to construct the two sections of the railway which it had contracted to build and to equip, maintain and operate, but also to equip, maintain and operate the sections of railway which the dominion government had already completed and which it had at that time under contract and which the government was required to turn over to the company as and when they were completed, the whole being the Canadian Pacific Railway which the company undertook to maintain, work and run efficiently in perpetuity.

We believe that the Canadian Pacific Railway Company cannot take the position that it is just another ordinary free enterprise company that should be free to do with its assets what it pleases and to operate the railway purely for the benefit of its shareholders and without regard to its obligations to the Canadian people in whose name and for whose benefit the Canadian government alienated vast and valuable resources by way of subsidies, gifts and concessions to the company which were clearly given in return for the company's undertaking to efficiently operate and run Canadian Pacific Railway and it need hardly be said that that covenant and undertaking to efficiently operate the railway did not merely mean that they were to operate it at a profit for the benefit of their shareholders, but rather that the efficient operation of Canadian Pacific Railway was to be for the benefit of the nation and its people. The "plum", good or bad, must continue to serve the citizens of Regina and all of Canada.

The dominion government turned over to the company the sections of the railway which the government had built and paid for and thereafter it became the property of the Canadian Pacific Railway Company absolutely. In addition to the basic subsidy of \$25 million and 25 million acres of land containing valuable minerals the company received under clause 16 of the contract, an exemption from taxation on the main line by the dominion, any province thereafter created or any municipality therein. This exemption alone is worth many millions of dollars.

A graphic illustration of what this exemption costs the taxpayers of this city is demonstrated by the fact that in the absence of that exemption, the city of Regina would be collecting annually from Canadian Pacific Railway Company \$249,538.15. This amount must now be made up by the other taxpayers of this city. This burden will remain and increase so long as the exemption clause remains in effect. This situation calls for parliamentary action. The dominion government having granted the exemption was obliged when creating this province of Saskatchewan, to take away the power of the province to interfere with that exemption. In like manner, the grants of land, including valuable minerals were made before the province was created and when the natural resources were returned to the province in 1930, these did not include the natural resources which had been alienated under the contract to Canadian Pacific Railway Company. These are matters which should be reviewed by

parliament. This may be the opportune time for such investigation and review, attention having been drawn to the inequities of the situation by various indications that the company, while desiring to retain the benefits of the contract, does not wish to be bound by its commitment thereunder.

"...in consideration of the completion and perpetual and efficient operation of the railway by the said company, as stipulated in the said contract, the government may grant to the company a subsidy of twenty-five million dollars in money, and twenty-five million acres of land...in consideration of the promises the government agrees to grant to the company a subsidy in money of twenty-five million dollars and on land twenty-five million acres, for which subsidies the Canadian Pacific Railway shall be completed and the same shall be equipped, maintained and operated. . ."

Four statutes had been passed and as many companies formed in attempts to get the railway built, but they had been ineffectual. An indication of the attitude of the parties in regard to the subsidies is to be gathered from a provision in one of these statutes which had been passed 7 years earlier. It provided that in every contract for the construction of the railway, or any part of it, the government of Canada reserved the right to purchase it at a price equal to the actual construction cost plus 10 per cent.

"the subsidies in land and money granted or paid by the government for the construction of the said railway being first returned or deducted from the amount to be paid, the land sold being valued at the full amount the contractors may have received from the sale of such lands as may have been sold."

The report of the Royal Commission on Transportation, 1961, when dealing with passenger services, repeatedly refers to "the historical traditional and institutional obligation" of the railway "to provide passenger service," and points out that as a result of the development of good highways and extensive use of the private passenger automobile to transfer people over short and medium distances and passenger bus operations at fares "highly competitive with rail fares" and which can offer more frequent passenger service in light density areas, and the growth of air travel has resulted in a situation where "the bulk of inter-city movement of people takes place by other modes than rail. Report of the Royal Commission on Transportation, Ottawa: Queen's Printer, 1961, volume 1, pages 43-45.

It must be pointed out, however, that the figures furnished by the company clearly show that a very great many people in this country still use Canadian Pacific Railway passenger service and last year's figures showed an increase over the previous year. In 1964, there were 3.1 per cent more revenue passengers carried by the CPR at 6,997,202 passengers, an increase of 248,000 over 1963. In 1964, the company experienced an increase of 21.9 per cent in revenue passenger miles over 1963, at 1,023,475,000. 1964 annual report, Canadian Pacific Railway Company, page 39.

It must be remembered also the modes of travel are still changing and will continue to change. Canadians are travelling more than ever. Cars and air travel do not appeal to many, many people, especially to the senior citizens who

insist on travelling only by rail. We owe this to our senior citizens and the CPR could develop this passenger service trade to increase their utilization of the provided passenger service.

The Royal Commission on Transportation previously referred to, was very outspoken and direct in its views as to the place of rail passenger service in over-all transportation policy and regarded passenger services losses as a burden on other traffic, but the report is very clear that the commissioners did not contemplate any precipitate action. There is a clear indication the report that the commission had a long range as well as a short range policy in regard to passenger services. The long range policy was that "the railways must eventually withdraw all uneconomic rail passenger services . . ." Nevertheless, in that regard it was careful to advise that: "immediate and abrupt withdrawal of rail passenger services where they are unprofitable would cause dislocations far outweighing the advantages to be gained".

The short range policy was concerned with the finding a means, while passenger services are operated, of preventing the losses from falling on other traffic. In this connection, it should be noted that the commission's main purpose was to recommend measures to eliminate causes of inequities in the freight rate structure and lifting "the burden of passenger losses from the shoulders of rail users was necessary to that end." The commission stated:

"The public, by and large, has already indicated its preference for other modes of travel and except in a very few instances where no alternative form of overland travel exists, we look forward to the time when railways will be supplying passenger services only in those areas where they find economic justification for them. In the interim, it is, we repeat, most important that the burden resulting from losses on railway passenger services be lifted from the freight shipper."

In regard to that statement, does not the question arise as to whether there is any necessity to shift such losses, where they occur, to the freight shipper? This would not be necessary if the earnings from the company's vast holdings of land and mineral resources which the company received as consideration for efficiently operating the railway, were applied against the losses on such services. The burden need not then be shifted to the freight shipper. In the submission of the province of Saskatchewan to the royal commission on Transportation, 1961, the following contention was put forward:

"The other assets and enterprises of Canadian Pacific Railway Company resulting from the substantial public assistance the company received from the government of Canada are available for borrowing whatever additional capital is required for improvements, rolling stock, etc., and also are a source of earnings. All assets of the company should be used as reserve to support the continued operation of the railway."

The 1964 earnings of the company's wholly owned subsidiary Canadian Pacific Investments Limited was \$19,229,131. This was increased to \$20,059,881 as a result of a net gain on sale of some securities. Canadian Pacific Investments retained \$5,727,425 in its "retained income account" and the balance of \$14,332,456 was paid over to the Canadian Pacific Railway Company by way of a

dividend. Canadian Pacific Railway Company immediately distributed this entire amount to its shareholders by way of an extra dividend of \$1 over and above the regular \$1.50 dividend on its common stock.

Canadian Pacific Railway Company annual report, 1964, pages 23 and 24. This income was derived largely from assets such as lands and mineral wealth which the company had received from the government of Canada as consideration for operating the railway, and the question arises whether the income from these assets should not be available to be applied toward providing those services. Is it right or reasonable to channel the profits from the profitable aspect of the company's enterprise to one group, namely its shareholders, while the losses of another aspect of the company's operations are loaded on the freight shipper and indirectly on all the people of Canada who had, after all, contributed the lands and mineral wealth which had generated that profit?

The earnings of Canadian Pacific Investments Limited assume great significance when it is realized that it was equal to nearly 50 per cent of the net railway earnings during the year. On railway revenues of \$510,144,989 the net railway earnings were \$43,464,655. After adding other miscellaneous income and deducting the fixed charges, the net income from railway and miscellaneous sources was \$44,069,952. If to this figure there be added the earnings of Canadian Pacific Investments Limited, the total earnings would be \$64,129,833.

The net income of Canadian Pacific Investments Limited was on the basis of the company's figures, more than enough to cover the claimed losses, not only on "The Dominion", but on all the passenger services on the main line.

Moreover, considering the rail and miscellaneous earnings alone of \$44,069,952, disposition was as follows: after paying the dividend on the 4 per cent preference stock of \$3,390,958, the company paid its regular \$1.50 dividend on the common stock in the total amount of \$21,498,684, making a total of \$24,889,642 in dividends from rail earnings. This left a balance of \$19,181,210 from all rail earnings which was transferred into "retained income account" which at December 31st, 1964 stood at \$681,988,499.

Some indication of the value of the lands received by way of subsidy may be indicated by sales from time to time made by the company. In 1963 and 1964, alone the net proceeds from sales of lands, town sites and other properties as shown on the books of the company, was \$90,469,891 which amount was paid into the company's "retained income account" during these two years.

Relocation of its railway lines in many major urban centres will free valuable properties for commercial development. As this development takes place, lands now carried at a nominal book value will realize their actual value and bring large sums into the treasury of the company or the treasury of Marathon Realty Company Limited, a wholly owned subsidiary of Canadian Pacific Investments Limited which in turn is wholly owned by Canadian Pacific Railway Company.

The company's financial position and profit record shows marked improvement. The net earnings on rail operations alone in 1964 were the highest in the last eight years and represented 8.5 per cent of the railway revenues, the

highest ratio in the last 14 years. The earnings per common share were the highest since 1957.

There was a significant improvement in net operating revenue. Expressed as average per mile of road, the net operating revenue was up 27.8 per cent and, expressed as averages per train mile, the net operating revenue was up 24.4 per cent. On the other hand, the percentage of operating expenses to railway revenues was down 3.1 per cent.

In the period 1952-64, the assets of the company grew from \$1,917,505,660 to \$2,917,714,159, an increase of over 50 per cent. In the same period the funded debt increased by less than 5 per cent. The reserves more than doubled from \$555,843,167 to \$1,169,392,943. In 1963, the company paid in dividends to its shareholders \$21,888,742 and in 1964, \$39,221,198.

It is urged that, all things considered, it has not been demonstrated that the losses on passenger services must be eliminated. The "plum" is still bountiful as it was contemplated in 1881, and the east-west railway links via the CPR must be maintained. It must be maintained at this time to provide an arm of unity—the discontinuation of passenger services would contribute an incentive toward isolation at a time when Canadians are grasping for unity.

To further cite the subsidies attained by the CPR from the cities, I would refer you to the specific case in Regina. It costs the city of Regina in 1964 some 46 cents per thousand gallons to produce and distribute water in the city. A private act of the Saskatchewan legislature being chapter 86, statute of Saskatchewan 1927, provided the city must supply in perpetuity to the Hotel Saskatchewan, water at the rate of six—.06 cents—per thousand gallons. This is just one aspect of the "plum".

Please think, also, of the valuable property in the downtown area of the city of Regina. The value of this property is increasing annually, at a time when the CPR is attempting to amputate the undesirable aspects of the "plum".

The city of Regina submits that the Canadian Pacific Railway Company should not be permitted to retain the full benefits of the subsidies, concessions, exemptions, privileges and powers if the company withdraws from the performance of the undertaking under sections 7, 8 and 9 of the contract and the act of parliament ratifying the same. Moreover, those provinces and municipalities who bear the burden of clause 16 of the contract and whose natural resources were alienated, have an additional and special claim on the performance of the contract. As already stated, the tax exemption alone costs the taxpayers of Regina a quarter of a million dollars a year.

The Canadian Pacific Railway Company has not demonstrated any concrete steps to promote utilization of its passenger services. In the modern world, sales promotion is almost a science waiting to be utilized to the fullest. Reduced fares will increase utilization. Improved services in the form of better schedules, easy access to ticket sales, quick firm reservations, etc., will attract passengers and it will, especially if directed to our senior citizens and the citizens at large who are travelling more and more each year.

Mr. Chairman, we must look to an immediate re-examination of all aspects of transportation and a national transportation policy should be formulated and implemented. Such a re-examination must include in the terms of reference the following:

- (a) The entire relationship between the CPR and Canada including the tax exemptions—actually, subsidies—provided by the municipalities to the railway.
- (b) Nationalization of the CPR.

All of which is respectfully submitted.

The CHAIRMAN: We want to thank you Mr. Mayor for your brief. It is very interesting. Now we will go on with the period of questions.

Mr. OLSON: Mr. Baker, I want to commend you for a brief that goes into a great deal of detail respecting the agreement between Canada and the CPR in 1880 and the statute that followed in 1881 and I suggest to you that you have all of these things in perspective regarding the government and the people of Canada.

I wondered if on page 4 there is a typographical error, where you say in the last paragraph, "in consideration of the promises". Should that word should not be "premises"?

Mr. BAKER: Promises. I would have to check the original stencil, but I would think that is right. "in consideration of the promises" is right. Yes, the promises.

Mr. OLSON: I think it is the wrong one.

Mr. BAKER: Just a minute and I will get my original here. It is premises. I m sorry. Yes, it is a typographical error.

Mr. OLSON: Mr. Baker, firstly you have not made any recommendations respecting local service, day liner service and a number of other things that we have heard earlier from the Mayor of Moose Jaw and which the province of Saskatchewan referred to at other hearings. I wonder what the position of the city of Regina is respecting this matter? Do you think you require these local services at a reasonable or a good time of the day, or do you think you also need more transcontinental service to satisfy the demands from the people in southern Saskatchewan, and particularly from Regina?

Mr. BAKER: I think when it comes to transportation matters of this sort I like to think in terms of a national policy and I think that you must have first of all, good transcontinental service. Now the day liners and feeder lines to me are sort of a subsidiary and to help to develop these transcontinental systems. This is probably what harmed the "Dominion" to some degree because there were not these extra day liners and feeder lines. Now, it was brought out here that there should be day liners from Calgary to Winnipeg. Well, that is quite all right but I still think you must dovetail an international program because we do not want to balkanize Canada or have the prairies against Ontario and Ontario against Quebec. My good friend here I think brought out a very good point by naving a national rail system so that we take care of Expo '67, but how are you going to do it if you do not have a national program? Feeder lines and day liners will solve it to a degree, but I think you have both. I believe that came

out from the Mayor of Moose Jaw. But first of all I believe you must have a good national program and these others would dovetail right into it.

Mr. OLSON: In your opinion the service supplied by the "Canadian"—in other words, one train each way per day—is not adequate to take care of the requirements for the southern prairies?

• (12.46 p.m.)

Mr. BAKER: I think you need two services. I am all in keeping the "Dominion" or having some other train or whatever system may be involved. I think we are going through a sort of a cycle now, because air transportation has come upon us, the jet age and that sort of thing. I think you are going to find that more people will travel by rail because do not forget your highways are not as safe as they used to be either and a lot of people don't like going by air. I think rather than curtail services now we should build on them because I think the future—if we drop them all now we are going to have a tremendous cost to reinstate them in the future. Now I think we are just going through growing pains, through a cycle.

Mr. OLSON: I am very interested in this, because you did point to some statistics given with respect to the CPR's railway passenger service, that it had increased, I believe, from 1963 to 1964. I am not going to refer right back to those figures but do you think there is, from 1966 and on, going to be a rising rather than a declining demand for railway passenger service?

Mr. BAKER: I think you can accrue a demand can you not? To say to ship other ways of good concession—my answer is yes. Now if you take it within six months I do not think there is, but in the long range my answer is yes, that rail services will increase and passenger services will increase.

Mr. OLSON: Perhaps I should have asked you this question first. Do you think that in 1966 and into the future there is going to be a rise in demand for all kinds of passenger transport service?

Mr. BAKER: I think you are right. Our people are travelling more, are they not?

Mr. OLSON: That is what I wanted to get. Your opinion on it.

Mr. BAKER: My answer is yes.

Mr. OLSON: That is including railway passenger service as well?

Mr. BAKER: Providing you provide these other subsidiaries that all fit into the pattern. As was mentioned here, people have to go to Regina to catch the plane there. There are no air services and that helps to curtail it a bit I would imagine. But with proper facilities, without doubt it will increase.

Mr. OLSON: Mr. Chairman, I want to ask some other questions on non-rail revenue and tax concessions, and so on, but I will pass.

Mr. BOULANGER: Mr. Baker, I must commend you for your report and also to remind you that your name "Mr. Baker" is also my name in French "Mr. Boulanger".

Mr. BAKER: I know a little French but I am going to have to brush up a bit.

Mr. BOULANGER: Well, it is very hard. You also said to nationalize the CPR. If the government by a legal arrangement of 1881 in the Supreme Court of Canada would force the CPR to respect their engagement do you not think it would be better to give all the responsibility to the CPR and the Supreme Court will give them the order to follow the legal procedure of the service. Would that not be better than nationalization, than charging all the Canadian people?

Mr. BAKER: We give all the passenger service to the CNR, did I understand you? I think you said CPR. You want to give the passenger service to the CPR?

Mr. BOULANGER: Yes, if the CPR were forced by law. If it comes to an argument of law of 1881, at the time when they were to do this and do that and give service at all times for the country, if they were forced by a judgment of the Supreme Court to give the service the way they are supposed to give it, would you not prefer that rather than taxing all the Canadian people by the nationalization of the CPR.

Mr. BAKER: The matter of how we agree or how we assess the situation, whether it is bus service, air transportation or whether it is a telephone system, it is a service. My contention is that if it is a service it belongs to the people. Now, you think it is fair if I may say this: With a \$44 million net profit that they should discontinue passenger when they made that kind of money, I think they should continue to give the service and I do not know whether Bill No. C-120 is still before the House of Commons—

Mr. BOULANGER: Yes.

Mr. BAKER: Is it? Thank goodness, because they want another \$65 million on top of the \$44 million. Now, do you not think they are bleeding the taxpayers as it is now, or trying to? But I think the prime objective here is service. How can it best be achieved? Now, you know what they did with the "Dominion", deteriorating and downgrading. I do not think that is fair whether it is a private company or a public company. To do this to the people out west you hurt Canada. And I think that this is a matter of service and if it can be better achieved through nationalization, I say do it that way. In fact, the service in my thinking if it belongs to the people then it should be owned and operated by the people.

The CHAIRMAN: You regard it as a utility?

Mr. BAKER: Yes.

Mr. MACEWAN: I understand you presently have day liner service from Regina to other areas; is that right?

Mr. BAKER: To Saskatoon.

Mr. MACEWAN: That is the only one? How long has that been in operation?

Mr. BAKER: I do not know the exact figure. I have been on it several times and it is very good.

Mr. MACEWAN: Well patronized?

Mr. BAKER: Well, any time I have been on it they had to rush to get a seat.

Mr. MACEWAN: And how often does it run?

Mr. BAKER: Three times, I think. Twice a day each day.

Mr. FAWCETT: I just have one question and I wondered after going through this brief if there is not a sort of underlying thought here in light of the fact that the Canadian Pacific Company as a whole has more or less built an empire on the basis of these considerations that were given to it in order that it could build a transcontinental railway. Would it be your thought that separating all these subsidiaries from the railway company, as far as revenues and profits are concerned, as long as the railway portion was making a profit, the Canadian Pacific should continue to provide what should be considered to be essential passenger service? I do not know whether I made myself clear or not.

Mr. BAKER: If I understand you correctly, I think in dealing with the CPR you have to take the whole thing into consideration, because of the vast gift and concessions made and they are making more money out of these investments, in some ways, than they are through the railway system. Do not forget the farmers of this province, and of the west, are considering the loss and freight rates, too. I think you have to take the whole thing into context and work from there. Now, I think you could make a division if they had something that had been formed for other fields. Do not forget the tremendous rights they received from our mineral rights—oil and gas resources. It is a pretty lucrative business and if I were the CPR I would want to divide them, too.

Mr. FAWCETT: Just to put it another way: Would you consider it unfair that they would cancel, for instance, the "Dominion", when it is known that they are making an over-all profit in railway operation?

Mr. BAKER: I think they brought that out—\$44 million. They lost \$24 million, why should they not continue? They are not losing on the over-all.

Mr. BALLARD: Just one simple question. The concept of nationalizing the CPR has been mentioned two or three times this morning. I notice in your brief on page 5 that you give some history of railway or the attempt to build a national railway prior to the 1881 agreement and it is indicated here that some of these earlier contracts indicated that if the government decided to take over the railway after it had been constructed that the contractors would be reimbursed for the value of the railway, less any amounts of money through subsidies—in land and money—granted to them. Would you suggest, along with your suggestion of nationalization, that this same theory be applied today, that if we do nationalize the CPR we should first of all determine a fair value for the CPR and then deduct the amount of subsidies and the current value of the assets that they have acquired since, as a result of these subsidies that were paid?

Mr. BAKER: To go back to the chapters mentioned here that would not indicate that. We would go back to the original. We would make a pretty good deal, wouldn't we?

The whole thing would fall in the realm of negotiations. I do not think I am the kind of person who does not want to give a man a fair profit for what he has built up. Now, according to this statutory declaration here it works out in a different fashion and if you follow this, I do not know whether Parliament would follow that or not, I think the whole thing would have to be negotiated.

Mr. BALLARD: In your opinion, then, you cannot separate one part of this original deal from another? I mean they will always be considered in one concept or as one part.

Mr. BAKER: What I would be interested in would be the concession of land—the 25 million acres—and the over-all amount that was paid at the start. From what I can gather they actually got the railway for nothing. It did not cost them one red cent and they got the land on top of it and \$126 million dollars. So where should we start? Should we go back to the original concept written in the 37th Year of Victoria, chapter 14, section 10? I think it is a pretty hard thing to say just where you would start.

Mr. BALLARD: That would be a desirable starting point, would it not?

Mr. BAKER: I would think so. Well, I think we should, because look at the concessions we gave.

Mr. BALLARD: You say the CPR got the railway for nothing, Mr. Baker?

Mr. BAKER: I might as well say that. It was the concessions they got. This western part.

Mr. BYRNE: Mr. Baker, in the second paragraph on the opening page, you say that in the 1880's, the Canadian Pacific Railway along with other railways, were fighting for public support to attain the "plum", and you have the word "plum" in quotations. Is the word "plum" in quotations because you are quoting someone or is it not?

Mr. BAKER: No idea, sir.

Mr. BYRNE: You say, "the right to be involved in the development of western Canada". In this way you mean the right to build a railway?

Mr. BAKER: The other concessions that went with it. I am including the land concessions.

Mr. BYRNE: Well, could you tell me, Mr. Baker, what you are referring to when you say, that there were railway companies fighting for public support?

Mr. BAKER: It came out at other meetings I have been at, and some of the research I have done, that there were others, that were interested as well.

Mr. BYRNE: There were other companies interested?

Mr. BAKER: This is what I have read.

Mr. BYRNE: Do you recall that there was a previous offer made of something like 30 million acres of land and something in excess of \$25 million?

Mr. BAKER: I do not remember the exact figures but it runs in my mind about reading that in my research, yes.

The CHAIRMAN: Gentlemen, the last question that I am going—are you continuing, Mr. Byrne?

Mr. BYRNE: Is Mr. Baker going to be back later?

The CHAIRMAN: It is one o'clock. I have only two others who are to ask questions and I am just wondering if there are more, then we will finish it now and if not, then we will adjourn and have Mayor Baker return.

Mr. BAKER: If we could finish it I would appreciate it. But I will stay as long as you want.

The CHAIRMAN: Well, I have Mr. Byrne, I have Mr. Bell, Mr. Reid.

Mr. BELL (*Saint John-Albert*): Mr. Chairman, we all have questions which we would like to ask. Would it be any help to His Worship if we stayed another 15 minutes and that can be conveniently taken from our meal arrangements. Would it help if we tried to finish the witness in the next 15 or 20 minutes?

Mr. BAKER: I am prepared to stay.

The CHAIRMAN: We would like to accommodate His Worship. Let us continue until a quarter after one and that will be the time limit, gentlemen. There are repetitious questions; could we practice some restraint.

Mr. BYRNE: On page 2, you say that by refusing was one of the methods of discouraging passengers on the railway. You say refusing to sell available space on its trains. Have you anything to say on that?

Mr. BAKER: I put that in, because at the Board of Transport Commissioners there seemed to be a lot of information come out with regard to people being told to wait and take the "Canadian", because it has these other facilities, and this and that, and it was part of the over-all downgrading. I think Mayor Lewry got out a point about his mother here, which was similar and this is the sort of thing that we noticed that it was part of the over-all process of downgrading, if you want to call it that.

Mr. BYRNE: Do you believe, Mr. Baker, as some other witnesses have indicated, that a local service operating at an appropriate time of day between Winnipeg, Medicine Hat and Calgary, would eliminate the serious problem of today; that is, being able to travel between Winnipeg or Calgary?

Mr. BAKER: Are you speaking of a day liner?

Mr. BYRNE: Yes.

Mr. BAKER: I think this could be a help. You might even find that you develop a good national policy. This could work in with it. Now a day liner service will serve partly, but you are sort of segregating your prairies from the west and from the east. My thinking is that in Canada today, and as a good Canadian, we have the best country in the world so let us keep it unified and the only way is through transportation.

Mr. BYRNE: On the other hand, there is a long stretch of railway between Kenora, or even from Winnipeg to Sudbury that you would not need to be dragging this long consist. They offer a very speedy service between Montreal and Toronto which has no connection whatever with transcontinental service. But it has become a very sufficient service. Do you not think it would be possible to establish a rapid transit service say between Winnipeg and the larger cities, stopping at the more important points?

Mr. BAKER: That is a possibility. But you must not forget that we have a pretty vast country out here and you have to cover many miles anyway so what is really the purpose? Is it not better to have a good national policy first?

Mr. BYRNE: Did you know that we are now subsidizing railways over what is called the bridge? A straight ramp that the government brought in back in

the 50's. I think it was something like \$8 million for each of the railways for driving their equipment over this bridge. So it is conceivable do you not think, Mr. Baker, that we could develop a rapid transit system?

Mr. BAKER: I do not think I can argue against that, sir. I think that is good. Just like we have a rapid service between Saskatoon and Regina and it is working well, but I think that this can all fit into an over-all pattern.

Mr. BELL (*Saint John-Albert*): In view of the expressions of opinion that the Mayor has given about the responsibilities and obligations of the Canadian Pacific Railway, I would like him to express himself on the obligations that he feels that we, in this Committee have, in so far as the various costs to passengers are concerned. I do not think this matter has been mentioned for some time and I asked in the framework of this national reservation put on his previous remarks, what specific responsibility do you feel we have to assess the various costs in so far as the modes of travel are concerned, the cost of buses, the low labour content of some as against the railways, the cost of air travel, the highways and the availability out west of gas perhaps in a more cheaper fashion. Should we, in view of what has been said about these local services, try to get all the information we can and then arbitrarily declare that we think it would be better for say Moose Jaw and Regina to have only bus service because it is the cheapest form of travel, provided it meets all the other requirements? Have you any thoughts to express on this? I think it is fairly important in this context now.

● (1.10 p.m.)

Mr. BAKER: Well, that is quite a question. First of all, with regard to costs, I would hope that you would check into the costs of different railway systems. I understand you can go from Saskatoon to Winnipeg, cheaper than you can from Regina to Winnipeg, and yet they are further away. No. 1, I think that is the field you should get into. Now, as to whether you should just serve an area like Regina, or Calgary, or Winnipeg, Brandon and Moose Jaw, Medicine Hat and so forth, with just a bus system, if that is all you can come up with, I would say then forget all about it. I do not think any major cities in this country should not have the opportunity of different types of service. I would hate to see this Committee just come up and say "we just need a bus service," and Kenora to Toronto or Toronto to Montreal has railway, bus, air and everything else. After all, this is a nation; we are all contributing in our taxes to this whole country and that is what has made it strong. If you balkanize it that way, then you will hear more of breakaways, perhaps in the future.

The CHAIRMAN: Mr. Pascoe.

Mr. PASCOE: I have many questions, but I will just ask one direct one now. On page 4, the Mayor referred to the fact that the CPR, by their tax exemptions are exempted nearly \$250,000 a year, and it says this burden will remain and increase so long as the tax exemption clause remains in effect. Are you suggesting that by curtailing their passenger service, they are losing this privilege of tax exemption? Do you argue that point?

Mr. BAKER: Well, let us put it this way, Mr. Pascoe. You are asking about subsidization. This has been quite a discussion today. We in Regina have been doing this every year since we have been a city, and today it is worth a quarter

of a million. The extra water revenue runs to about \$6,000 extra a year. Now if that land was developed in downtown Regina, that would bring to us in taxation, perhaps a million or a million and a half a year. So you see what we are losing.

Mr. PASCOE: You say "so long as the exemption clause remains in effect?" You are implying that it is not going to remain in effect?

Mr. BAKER: Well, I hope it does not remain in effect. I hope you people in Ottawa will do something about it. Did I answer your question?

Mr. PASCOE: Well, hardly, but let it go.

Mr. BAKER: Well, I think as long as it remains in effect, we are losing. Yes. We are not getting anything for this concession, are we?

Mr. PASCOE: No. That is what I am trying to argue, that the fact you curtail passengers—

Mr. BAKER: We do not look upon this, because we are contributing that much that we should have the rail service; nothing doing. That would be a pretty poor way of assessing a city, as I could see it, that we should be contributing moneys toward an over-all railway system.

Mr. SHERMAN: No, I did not have a question of this witness, thanks Mr. Chairman.

The CHAIRMAN: Mr. Olson.

Mr. OLSON: Mr. Baker, in dealing with this matter of non-rail revenue, want to ask you whether or not you think that some of the non-rail revenue of the CPR investment should be allocated to provide some of the deficit for passenger service. I think you suggested that. Have you considered how much of this should be used? And I am not asking you for any figure or percentage but am asking you whether or not this revenue should be confined to the revenue received by the company from assets that were included in the concessions.

Mr. BAKER: I think that would be the position I would take. Anything that they received through concessions and through those concessions where they have made investments. Now, the only problem there is so much of it dovetailed into other subsidiaries, where they have taken money from here and built their up. But I think any returns that have come directly or indirectly from these concessions, whether it is mineral rights, land or other types, portions of that should be earmarked for these deficits.

Mr. OLSON: You talked about the \$41 million that the CPR had made in net income.

Mr. BAKER: \$44 million.

Mr. OLSON: I understood you to say \$41 million, in 1965.

Mr. BAKER: Okay, if it is \$41 million, we will take that.

Mr. OLSON: Well, they had this \$41 million then after they had paid all the cost of running the passenger service. If we accept their figures that \$26 million was the deficit in passenger service, then they must have made about \$7 million out of freight. You suggest in your last sentence I think the nationalization of the CPR—I am interested in what you have said on page 5, on how you

would go about nationalizing the Canadian Pacific Railway. I think that you say there that there was the statute passed seven years before the 1880 and 1881 agreement, that provided that every contract for the construction of a railroad or any part of it, the government of Canada reserved the right to purchase it at a price equal to the actual construction cost, plus 10 per cent. Is this what you would use arriving at the purchase of the railway?

Mr. BAKER: I think we should start there. I think someone else asked me that question a moment ago, or was it you that asked me? This is what is there and I think it would be an excellent position to begin negotiations.

Mr. OLSON: Then, when you have found out what that figure is, you take off the value of all the lands that they have sold since 1881. Well, it says here "after first deducting from the amount to be paid the land sold being valued at the full amount the contractors may have received from the sale of such lands". They would wind up in a hole, would they not?

Mr. BAKER: I guess they would, but I would like to be on that negotiating team. I think it is a matter of—I think you would have to take the whole thing into consideration, and let us not forget their assets. What are they \$2 billion, \$900 million. It would be a good place to start from there too, you know.

Mr. OLSON: Well, I may have been a little facetious, although it was not these statutes, and this provision of 37 Victoria, Chapter 14, are just as valid as the chapter giving the concessions, in your opinion?

Mr. BAKER: Yes.

Mr. OLSON: Thank you, Mr. Baker.

The CHAIRMAN: Mr. Reid will be the last questioner.

Mr. REID: Mr. Bell put a question concerning a national transportation policy. If it was decided that you would get only a bus service, is this not in essence what you are asking for, when you ask for a national transportation policy. You are taking the risk that you may not get what you want? In other words, it is not really a solution?

Mr. BAKER: When I am thinking of a national policy, I am certainly thinking of a national transportation policy where you give equal services to the centres that have had them, and if you only gave bus service to this area, then say to Regina, you are cutting out the air service and the rail and everything else, so you could take it that far. But the national policy I am thinking of, and what we as the city of Regina believe is that we should give every type of service to every Canadian, where possible. Now, you cannot go and build an airport in a town with 500 people, but the city of Moose Jaw, for example, has no air service, and I do not think that is right for a city of this type. I think it should have a good airstrip, an airport and everything else. You are cutting off the air services—it was mentioned here a minute ago—Trans-Air and so forth. Everything is being reduced. Yorkton is suffering. So now we do not have any passenger service. All we have is the bus service that is left, and other parts of Canada have every type of service. Now I am a Canadian, and I want to treat every Canadian in Canada the same, and I do not think you can say to Moose Jaw, or to Regina, the capital city of this province "You have to have bus service. You are not good enough for rail or air service." That is what I would take from your question.

Mr. REID: My question was that if you did have a National Board, it would have to take into consideration the cost of providing the services, and the method of providing these services that could be met by the population.

Mr. BAKER: A good National Board would see that everybody got equal service.

Mr. REID: Regardless of the cost?

Mr. BAKER: That is right.

Mr. O'KEEFE: Mr. Chairman. Has the Canadian Pacific Railway been good for the city of Regina?

Mr. BAKER: They have not lost any money, that is for sure. Now, just a moment: I am now running down the CPR at Regina. The hotel accommodation regardless of the situation, we are most pleased that it was built here, because it has convention facilities. Now, let us look at the other side to be fair, too. It has done a lot for the city. Please do not take it all on one side. We want to be fair, but we feel that, after all is said and done, we do not get taxes which—taken over a ten year period, that is \$2,500,000, gentlemen. Right now, it is practically two mills of taxes that we have conceded, and the water preference and concessions. But I am not sure. Let us look at the good side, too. It is not all bad. But I think that what we want is a service that is good for all the people of this country.

Mr. O'KEEFE: Well, would you agree that we should have the same service in Newfoundland as you asked.

Mr. BAKER: The answer is "Yes". Why should not Newfoundland. It is our newest province. Why should not it get complete service.

The CHAIRMAN: We are not here discussing Newfoundland, and its problems, Mr. Olson. We are discussing passenger travel on the CPR. And now on behalf of the Committee, Mayor Baker, thank you for your presentation. Order please, gentlemen, there was no more questioning.

Mr. BYRNE: On a point of order, Mr. Chairman, how many more briefs do we have. I am not quite satisfied that all of the questions have been asked of Mr. Baker that the Committee might like. I would rather sit up tonight hearing briefs, than riding on the train in any event.

The CHAIRMAN: There are eleven more briefs, Mr. Byrne.

Mr. BYRNE: Eleven more. Will they all be detailed?

The CHAIRMAN: They are all detailed, yes. I would think that every brief that is to be presented is an important one, otherwise, it would not be here.

Mr. BYRNE: Well, of course there are a number of areas.

Mr. BAKER: If you want me to stay, I will stay after dinner, and come back.

The CHAIRMAN: No, there is no intention—

Mr. BAKER: I appreciate this, I hope I am giving you answers, that I am trying to—

The CHAIRMAN: Excuse me a moment, Mayor Baker if you please. There was no intention Mr. Byrne, of restricting questioning. That was extended up to the understanding that the questions would be finished at that time, and I

not want you to leave an impression here that we are in any way restricting questions of the witnesses. You understand that, because that is the impression you left.

Mr. BYRNE: I am not satisfied. If you have sufficient briefs that are going to keep us going on into the night, that is one thing, but you recall that yesterday we completed our hearings rather early, and we still had time.

Mr. BAKER: Well, I think I had better stay and—

The CHAIRMAN: I think we have eleven briefs—

Mr. BAKER: I am only too happy to stay; it does not matter to me.

The CHAIRMAN: I am going to ask again. Excuse me, Mayor Baker. Are there any further questions of witnesses by the members to be asked of Mayor Baker on the submission by the city of Regina? I asked that before, and the indication was four people. Now, Mr. Byrne, if you are not finished with your questioning, I will give you five more minutes with the Mayor, but that will be all.

Mr. BYRNE: Mr. Chairman, there have been quite a number of things said in the brief that are not completely substantiated by facts. There was one question about the 6/10 of a thousand cubic feet—gallons of water, for the Hotel Saskatchewan now—

The CHAIRMAN: Mr. Byrne, what does this have to do with rail passenger service of the CPR?

Mr. BYRNE: Well, it is in the brief.

The CHAIRMAN: Yes, but that does not mean to say that it is in order.

Mr. BAKER: I have another report here on it, sir. I think we are supposed to realize something like seven thousand—

The CHAIRMAN: Mr. Baker—excuse me please— really, I do not want to interfere, but we have to keep things in order, and within our terms of reference. Mr. Byrne, I suggest to you that the question of the gallonage of water in a hotel run by the Canadian Pacific has nothing to do with our terms of reference here, and I would suggest that—

Mr. BYRNE: Mr. Chairman, the witness said that this was one of the “plums” that was given to the CPR, and the argument is—

The CHAIRMAN: We all recognize the concessions that the CPR has, still Mr. Byrne, I suggest that you bring yourself within the terms of reference before us.

Mr. BYRNE: Well, I would like to ask under what arrangement you allow this, when you are paying 46 cents for a thousand gallans. If it cost you that why was this special arrangement made by the provincial government?

Mr. BAKER: I did not do it, sir; that was 1927.

Mr. BYRNE: That was done long before my time.

Mr. BAKER: I have been Mayor eight years now, and three years an Alderman. That was done before my time.

Mr. BYRNE: Well, in view of the fact that the Committee has eleven more briefs, that is all.

The CHAIRMAN: Mayor Baker, I appreciate your coming again here from Regina, and although we are in the City of Moose Jaw, really it is not to cast any aspersions against the City of Regina, had we time we would have come to the City of Regina also, in addition to Moose Jaw. Thank you very much, sir.

Gentlemen, before we adjourn I do want to get a printed brief on the Village of Coderre and surrounding municipalities, presented by I. H. Codarr, the Secretary of the Village of Coderre. This brief will not be submitted. It is to be printed as an Appendix to our Minutes of Proceedings and Evidence. May I have a motion to that effect, please. Moved by Mr. Fawcett and seconded by Mr. Hall. All in favour.

Motion agreed to.

It is now 1:25 p.m. We will readjourn here to 2:30. Yes, Sir?

An hon. MEMBER: I wonder, Mr. Chairman, if there could be some indication of the order in which briefs will be accepted this afternoon.

The CHAIRMAN: Yes. The next brief will be presented by Mayor J. D. Jackson, President, Saskatchewan Urban Municipalities Association; after that will be the Railroad Labour Association, (Moose Jaw Division), Mr. J. J. Hudson, President Moose Jaw and District Labour Council. Then we have a number of M.L.A.'s. I do not want to show any preference, but this is the order that I have. Mr. John S. Burton, Office of the Leader of the Opposition; Mr. E. R. Wood, Swift Current and then the brief to be presented on five M.L.A.'s by Mr. Blakeney, and then we have Mr. J. R. Knelson, Secretary of Moose Jaw Local of Saskatchewan Farmers' Union; Alderman C. C. Williams of the City of Regina. We have a brief here from the Regina C. C. F. Metro Council, which is not to be read, I understand, but from the introductory remark, to be printed as an appendix. Messrs. W. G. Davies and G. T. Snyder, members of the Saskatchewan Legislature for Moose Jaw City. I suggest that we resume here at 2:30, and how we proceed this afternoon, will have a bearing on how late we will sit in the evening session, I think, under the circumstances, Alderman Williams, it would be in order for you to be on at 2:30, I am sure that would meet with the approval of everyone here, since you have to make a connection?

Mr. WILLIAMS: No, we just have the one car, I think we can stay around here more than one afternoon.

The CHAIRMAN: Then, I think I should take Mayor Jackson first, Alderman Williams.

Mr. WILLIAMS: That is perfectly all right.

The CHAIRMAN: Being a former alderman myself, I know how these mayors feel about being superseded by aldermen; so we will take Mayor Jackson first and see how we proceed from there.

We will reconvene at 2:30.

AFTERNOON SITTING

● (2.30 p.m.)

The CHAIRMAN: I see a quorum. The Committee will have a 5-minute in camera meeting. All but not Members of the Committee, please leave the room for five minutes while we discuss some matters that are before the Committee.

(Whereupon the Committee went into in camera session.)

The CHAIRMAN: We now resume our open session. There was a one-page brief presented to us by Mr. Harold Brooks from Medicine Hat who came in late and I will read it.

"Gentlemen, the following is my personal experience with the Canadian Pacific Railway with regard to their attitude toward passenger service.

On April 4th, 1966 I phoned the local CPR office and requested chairs for myself and my family, two adults and three children, for an intended trip from Winnipeg, Manitoba to Saint John, New Brunswick. The date of departure from Winnipeg was August 10. Specific sleeping car accommodation was requested. I was refused quotations on fares, the reason being stated that there was to be a change in fares forthcoming in the very near future. Phone calls were made April 6 and again on April 12 and on April 20. We were not able to obtain any quotation on fares. Finally on April 22 the CPR ticket office did contact me by phone and stated the exact cost of our tickets. The Medicine Hat head office contacted the Montreal office by direct wire on two occasions between April 4 and April 20, but apparently to no avail. If there is blame to be attached it could not be to the personnel of the Medicine Hat CPR office staff who were most polite and courteous. To conclude this brief note, our family have decided to travel via Canadian National Railway and have made reservations accordingly.

Yours truly,

(Sgd.) HAROLD BROOKS."

I have been informed by the Moose Jaw and District Labour Council that Mayor Jackson has acceded to the Moose Jaw District Labour Council being heard first. Is that correct?

Mr. JACKSON: That is correct.

The CHAIRMAN: Thank you, Mr. Mayor. We will proceed then with the brief of the Moose Jaw and District Labour Council. We have, presenting the brief of the Labour Council, Mr. Skoberg, executive of the Labour Council.

Mr. SKOBERG: Mr. Chairman, my name is John Skoberg and I am presenting this brief on behalf of the Moose Jaw and District Labour Council in my capacity as a member of the executive for the labour council. Our president, Mr. Hudson, has asked me to express his regrets at not being able to be present at this time. I have been asked to convey to this Committee, Mr. Chairman, a most cordial welcome from the City of Moose Jaw on behalf of the Moose Jaw and District Labour Council.

Mr. Chairman, I would like to introduce a lady whom we have brought here for the purpose of reading our brief in French, Mrs. Astrida Law, who has graciously consented to do this for us, the Moose Jaw and District Labour

Council, and following this I will then present it and be quite prepared to answer any questions that I possibly can before this Committee. Mrs. Law.

(Translation)

Mrs. ASTRIDA LAW:

Submission to the Transport and Communication Committee
of the House of Commons. Moose Jaw, Sask, May 11, 1966.

Made on behalf of the Moose Jaw and District Labour Council.

Mr. Chairman,

Members of the Committee:

The Moose Jaw and District Labour Council representing some 5000 members in our Community wish to express our appreciation to your Committee for the opportunity of presenting this brief.

While the members of our Unions affiliated with the Moose Jaw and District Labour Council constitute a substantial portion of the population of this Community, we consider that our views are shared by the people in Saskatchewan generally.

The Moose Jaw and District Labour Council are primarily concerned with employment as it pertains to the social and economic impact on the employee and the community in which we live. We are also very alarmed when the means of commuting from one area to another is affected, as we feel that this Committee will agree that a well co-ordinated transportation system is vitally required if we are to remain a united nation.

Our Labour Council wish to express our regret at the timing of these hearings in that with the busy season at hand the people of our fair western provinces will not realize the seriousness of the lack of passenger facilities until it is too late.

While we do not intend to enter into a series of lengthy debate on the elimination of employees positions, it can, however, be only realistic to state without fear of contradiction that with the elimination of any rail service X number of employees with X number of years service will be directly affected.

It is the opinion of the Labour Council that the Canadian people while understanding and sympathetic, are immune to the particular plight of the railway employee. These employees have a definite interest in their industry as well as those who have set the policy and it is an accepted fact that employees hired on in the same good faith as those of the official family and both must reap their just rewards from the same garden.

We submit the first step an individual or company must take upon entering a business is to have a saleable product or service. The Railroad has only service to sell insofar as providing any transportation facilities for the people of Canada. The second step is to be competitive, both in price and service. We feel that this Committee can easily determine whether this prerequisite has been or is being met by the Canadian Pacific Railway. The third qualification, quality of service or product. All know how important quality is when buying an article or service. If any of these three items are out of line with the other, naturally business is going to suffer for it. The Moose Jaw and District Labour Council respectfully submit that the Canadian Pacific Railway, of late, has failed on two of these initial standards, and as a consequence, in this

competitive field of handling passengers, has failed the employee and the Canadian public.

The Labour Council submits that the quality of service offered to the public is not in keeping with the obligation that the CPR took unto itself in the agreement between the People of Canada and themselves. It is difficult to believe that express cars, etc. attached to the tail end of the only remaining passenger train on the main line, the Canadian, can indicate good faith on the part of the CPR management. It is also naive to suggest that trains running late consistently is conducive in the promoting of rail passenger traffic. For any transportation company to downgrade their passenger train and run it as a ghost train as has been done by the Canadian Pacific Railway, is a mockery to the travelling public, and particularly when most of the company owned lunch counters were closed so that if a person wanted to travel he would be required to pack a lunch and be prepared to change clothes in the rest rooms. This is reminiscent of pioneer days.

The Moose Jaw and District Labour Council believes that unless the CPR is prepared to provide efficient and competitive service that they should remove themselves from all passenger service immediately and entirely and that this Committee should recognize the urgency in the transportation passenger situation and recommend the implementation of a National Transportation Policy.

The Labour Council is always concerned with the lack of responsibility on the part of management in a training or retraining program. We suggest that the CPR has made no effort to cope with the problem of competition and service in their training program. There has never been any evidence shown that the personnel have been given special instruction, through classes, as to the soliciting of business such as has been done in other transportation companies especially the airlines.

Mr. Chairman and members of your committee, it is the opinion of the Labour Council that our Canada should not be severed by the lack of an effective transportation system. We do not intend to stand in the way of progress, but it has been acknowledged that the rural areas are the *life blood* of the Nation and as has been said "Cold statistics must at times yield to human endeavour". We submit that the endeavour of these people entitles them to continue consideration and services of a quality they are deserving of.

We realize that this Committee is aware of the ever increasing urbanization of our country and that rapid transportation is of great importance to our orderly and economic growth. It can only follow that efficient rail transportation must be in the foreground when one considers the ever increasing crowding on our highways and the cost in personal safety. People have to get to and from work and shopping areas and convenient, safe and fast ways must be established to accomplish this. It may be of interest to note at this time that one line of railroad track can carry as many people in a peak hour as 20 lanes of freeway and while the CPR has taken the defeatist attitude insofar as rail passenger travellers are concerned, it has been proven by the Canadian National that rail traffic is on the upswing. We do not hesitate to say that if proper efficient service is provided by the CPR their balance books at the end of the year would also show a marked increase.

The Moose Jaw and District Labour Council recognizes that there is little employment in an industry which is not prepared to meet the needs of the Canadian public but at the same time accepts the fact that to perpetuate a situation of no return, is not in keeping with our economic growth.

The Labour Council considers that the Government owes it to both Labour and Management to provide guidelines and direction and to establish sensible, co-ordinated priorities. We submit that it is of the utmost importance that the social and economic impact on communities and the Canadian public be considered as first, last and always.

In closing, Mr. Chairman and Members of the Committee, the Moose Jaw and District Labour Council feel most strongly that a National Passenger Train Transportation policy must be given high priority before further segmentation results between the East and the West. The people in Western Canada consider that we are entitled to equal treatment as those of the East, but unfortunately this has not been characteristic of recent decisions of the Board of Transport Commissioners.

We feel that this Committee will realize that there is more to be considered than simply the economic gains to any one corporate power-elite. We respectfully ask that in your deliberations and recommendations that consideration be given to the travelling public in the providing of modern day transportation facilities that will be competitive, saleable and of a high quality.

The Moose Jaw and District Labour Council has been authorized to state that the Saskatchewan Federation of Labour, with an affiliated membership of some 24,000 concur in principle with the views set forth in this submission.

All of which is respectfully submitted,

J. Hudson.

President—Moose Jaw & District Labour Council.

(English)

Mr. REID: Mr. Chairman, since most members of this Committee are bilingual, perhaps it would be unnecessary for the gentleman to re-read it.

The CHAIRMAN: Thank you, very much, Mrs. Law and we will have Mr. Boulanger make some remarks that he mentioned that he wanted to.

(Translation)

Mr. BOULANGER: Mrs. Law, you will not mind my remaining seated, I hope. The usual practice of the Committee is for its members to remain seated when putting questions to witnesses.

May I personally congratulate you on your perfect French. I should also congratulate the regional council on having seen to it that your brief to this Committee was presented in one of the official languages of the House, namely French. I would simply like to thank you for the courtesy you have shown and for this very fine gesture of Canadianism vis-à-vis the Committee sitting at this time. I would have a few questions to put, but understand that Mr. Skoberg will return to answer questions.

Mrs. LAW: I would simply like to state that we have the greatest need for railways.

Mr. CARON: What is your nationality, Mrs. Law?

Mrs. LAW: I am Ukrainian.

Mr. CARON: Thank you very much.

(English)

The CHAIRMAN: Thank you very much, Mrs. Law. I assure you, Mr. Skoberg, there is no need for you to read the brief. It is all well understood. The questioning will commence with Mr. Boulanger again.

Mr. BOULANGER: My question would have been in French first and it has to do with a very important mistake. In the French part, you say 500 members and in the English one you say 5,000. Which is the correct one? It is important for you to answer that.

Mr. SKOBERG: In the first paragraph, it is 5,000 members.

Mr. BOULANGER: You feel as well as some others do in the inquiry that the CPR does not offer service and proper commodities, in the handling of passengers they have 1,000 passenger cars serving the public, and you claim in your brief that this is one of the reasons that they have lost passengers which has brought about the discontinuance of the "Dominion". Is that about it?

Mr. SKOBERG: This is correct, sir. It is our opinion, the Moose Jaw and District Labour Council, that we have not had a saleable product or service that the people will buy. This has been quite clearly brought out in the program that the other railroad has brought into the picture. This is the opinion that we have come to.

Mr. BOULANGER: You definitely say that the service that has been offered on the "Canadian" and CPR was very bad.

Mr. SKOBERG: Of late.

Mr. BOULANGER: A last question. To use a word in French "moquerie" which is very strong, you refer to a mockery of the passenger. Mockery means in the English language, if I make it clear, that you did not give a hoot what happened to the passengers. That is about what it means.

Mr. SKOBERG: I think you are quite correct, sir.

Mr. BOULANGER: Then you say that you come back to the pioneer age. That is still another clear statement. My last important question is: In French you use the word "national" which is not quite the same in English. What I gather is that you mean that you are in favour of the nationalization of the CPR organization in this country and that the Canadian people should pay for all this?

Mr. SKOBERG: In the brief, sir, we have suggested that there be a national transportation policy. We sincerely believe that this should be done to provide the service that the people of Canada are entitled to. The reason that we referred to the pioneer days in the questions you asked a moment ago is the fact

that the services that we received prior to the last number of years were just as good in the pioneer days and there was better service provided then to transport people than what there is now on the Canadian Pacific and on the branch lines.

Mr. BOULANGER: You are from a labour association. In the last three or four days we have heard a considerable amount of evidence about railway passes. How does the use of passes affect the people who are retired? Would you say that according to what you were promised by the company at the time the passes were issued that they were practically a part of your income? Would you say that the people who are using those pass privileges are adversely hurt by the curtailment in their use?

Mr. SKOBERG: There have been many complaints coming before our council from the people who do travel on passes, particularly the retired employees, and they consider this as part of their wage package at the time this agreement was made. At this time, these people have to try and apply and if there is accommodation, they may be able to get on. It is our position that people generally are entitled to a certain privilege in this country and they are certainly not receiving it under these conditions.

Mr. BOULANGER: You were here this morning I believe. Would you agree that somebody made a statement this morning, I think it was the Mayor of Moose Jaw, that some of you even have to pay income tax on the value of those pass privileges, like it was considered income. I did not get what he meant at all.

Mr. SKOBERG: He referred to the tax—

Mr. BOULANGER: The pass privilege, yes.

Mr. SKOBERG: I believe, sir, in reference to that a certain amount of money we understand is chalked up on Canadian Pacific records, charged to each employee for the use of their pass. The money is not taxable as such, but they do in their records chalk up a certain amount for use of passes and passes issued.

Mr. BOULANGER: I think that to be reasonable, I must thank you and commend you. This is my last question.

Mr. ROCK: Since the English copy was not read, I would like to propose that it be entered in the minutes as read.

The CHAIRMAN: Yes. I will take a motion. Moved by Mr. Rock, seconded by Mr. Ballard, that the—

Mr. SKOBERG: I do not see that, Mr. Macaluso; there is the translation.

The CHAIRMAN: There is a slight difference in the translation. To avoid any confusion that might arise in the English translation—

Mr. ROCK: Your brief, in my opinion, is a very serious document. It covers a lot of—

The CHAIRMAN: I understand from what the Clerk tells me that the English translation will be printed automatically, Mr. Rock.

● (15.09)

Mr. Rock: It covers a lot of territory. I would like, first of all, to read this part which I want to come back to and discuss. There are no page numbers—that is not important. May I read certain portions of it. “With the elimination of any rail service “x” number of employees and “x” number of years service will be directly affected.” “That is quite true. On page 2, “That employees hired on the same good faith as those of the official family and both must reap their just rewards from the same garden.” Then you “submit the first step an individual or Company must take upon entering a business is to have a saleable product or service”. The second step is, “to be competitive, both in price and service.” “The third qualification, quality of service or product”. On page 4, second last paragraph, “The labour council considers that the government owes it to both labour and management to provide guidelines and direction and to establish sensible co-ordinated priorities. We submit that it is the utmost importance that the social and economic impact on communities and Canadian public be considered at first, last and always.” Mr. Skoberg, our terms of reference read “That the subject matter of the adequacy of the present program and future plans for passenger service on the lines of the Canadian Pacific Railway to meet the effective demand of the public for such service, and the effects of such program and plans, be referred to the standing committee on transport and communications for their consideration and report.” You have covered quite a few important items here which fit completely into the order. I am stating this because the questions I want to ask you will be along the lines of questions which were ruled out of order in another municipality. I am sure that Mr. Olson and the Chairman will not rule me out of order right now because the order of reference fits into everything that I will ask.

Do you know that every time a railway tries to improve its service by getting from one point to another by a faster speed or by eliminating certain stops and giving a faster service, the union, the trade union men, they still stick to their guns and work from one part to another and ask for the same pay. For example, let us take the case of runthroughs. When the Canadian National or Canadian Pacific want to make an agreement within one group, this is where they have a problem because between two points you have a runthrough and you have a hard time to negotiate. It is a known fact, I believe, that there are some engineers that have to work only, an hour and a half and get a day's pay. What I would like to know is what co-operation is your labour council prepared to give in respect of existing labour contracts, regarding time and distance? These are matters which would have a great effect on the gross profit and loss margin if, in the future, technical changes were to take place so that trains would travel at twice the speed?

Mr. SKOBERG: As to the first part of the question, I believe you appreciate the fact that railway workers generally are piece-workers particularly in their unrunning trade. They are only paid for exactly the length of time and the number of miles that they travel in any one particular subdivision as such. There is no guarantee, there is no suggestion that a person will know when he is going to work or any other condition such as this. In a passenger train, naturally, you do know when you are going to work. Now, I do not know

whether you have ridden the head end of a very fast passenger train, and visualized the hazards and the conditions you are putting up with on the head end as such. I would suggest that if you possibly could within the right of this Committee to do so, that it would be a good idea to possibly do that. But the labour council generally accepts the fact that there must be changes made. I believe the Freedman Commission has made recommendations which will be dealt with by the appropriate union and management committee. I do not think labour generally are standing in the way of progress, but it is very difficult for labour generally to accept progress if there is not co-operation between management and labour, and I suggest at this time there is no co-operation.

Mr. Rock: I agree with you there. There is not too much co-operation. Mr. Skoberg, the members of the committee are pursuing different lines of questioning and I am usually pursuing the line of questioning of speed, because we will be having, I believe, in front of us some firms who have some new technical knowledge on speed on tracks and out of all this, we will be recommending something and we do not know yet exactly what until everything is heard, and we will have the CPR back, too. We have one company, the United Aircraft, who claims that on the same trackage they can have trains travelling about twice the speed they are today. You can realize in that case there has to be a lot of changes in the labour contracts. Aircraft are great competitors of the train today. The pilot will travel across Canada; the same pilot will cross the sea to Europe. In the railroad business the engineer speeds across so many hundred miles and that is the end of his day. Do you not feel that there should be a direct change in this attitude by the union? Let him at least travel his six hours. Let us put it this way. Suppose that the trains between one capital city and another were to take half the time, do you not feel that we can give a better and a more effective service, because the trains will be in competition with the airplanes? I think at that time possibly the passenger will come back to the train service. Do you not think that we should have a little more co-operation that the engineers and trainmen should have a longer distance to travel, and to work more hours, than they expect if we have a change in the speed?

Mr. SKOBERG: Following the report of the Freedman Commission, there is a committee now set up of the running trades to deal entirely with what you have said, but I would say that if you had the opportunity to ride some of the diesel locomotives in service, and the diesel fumes as such, I think you would realize that safety is a situation that we have to be concerned with. I also appreciate the situation and I am sure that the Moose Jaw and District Labour Council appreciate it and would not stand in the way of any changes that would not adversely affect the individual employee. But they definitely will ask that the conditions set up that the employee be covered just as much as the company. The committee is set up for this purpose now.

Mr. Rock: Is this going to be a one-sided stand that you will take as in the past. I see the CNR run between Montreal and Toronto. Now, that is not a very long distance, and I feel that an engineer can travel there and back if we have speeds twice as fast in the future. And yet I understand that they change their three times. I cannot see any sense in this at all. On a short run between

Montreal and Toronto, engineers are changed three times. What future do the experts see for the CP? Have they any outlook in the future if they know that they may be, because of labour agreements, stopped in pursuing a program for high speed trains, or if they find out that it will cost them the same price to run that distance, or may be even more, because of the attitude of the unions. In other words, in the manufacturing line when you can produce twice as much you will sell it cheaper because you produce twice as much. It seems that when it comes to railroading every time they do something faster, it is costing more, and it should be costing less.

Mr. SKOBERG: I suggest, sir, that once again the Freedman Commission dealt with this quite thoroughly in the representations made before the Commissioners as they went throughout the country. I might say that I personally, work on the head end of a train. I know the conditions imposed upon the individuals employed by the company. I do not think the employees generally are opposed to any change, if it is not a one-sided change. And I do believe that the unions are quite prepared to accept their responsibility, and will accept it when the time comes, as long as it is a unilateral agreement.

Mr. SALTSMAN: Mr. Chairman, Mr. Skoberg, during the hearings that have been taking place over the last few days, we have heard some conflicting opinions regarding the abandonment of the "Dominion". Some of the representations that we have had have indicated that they are not terribly opposed to this abandonment. Others have been very concerned about it. There have been some suggestions that the curtailment of rail services hurts some groups of people to a greater extent than it hurts other groups of people. There has been some mention that older people, as an example, are seriously disadvantaged when railway services are curtailed. As someone who is connected with the railroad business, would you care to comment on the differences and usages between one group and another of railway services?

Mr. SKOBERG: Well, sir, it is our opinion that it is quite true that there is a differential between people generally and Canadian citizens. I think you can appreciate that those members here, and many of us may possibly be able to go out and buy a ticket on an aeroplane and go from here to there without any qualms whatsoever as to economics, but there are very, very many people in Canada, and I believe the situation is not becoming any better, that need rail traffic service. They have families that are moving from one end of the world to the other, from one end of Canada to the other, and really one end of the world to the other. It is these people and many others in lower income brackets that definitely need a well organized transportation system, and I certainly agree that there is a differential between certain groups of people in our country. We do not like to think this but I believe it is a reality.

Mr. SALTSMAN: Do you feel then that the curtailment of rail services would tend to work to the disadvantage of some groups more so than to the disadvantage of other groups?

Mr. SKOBERG: Yes, I think so.

Mr. SALTSMAN: On page 2 you suggest—well, it is more than a suggestion. You point out that the trains have been running late consistently. Now, do you

feel that the trains running late consistently has been something deliberate on the part of the railroad or do you feel it has been due to problems over which they have no control?

Mr. SKOBERG: I suggest that with the elimination of the "Dominion", the "Canadian" that is now left on the rails must make more stops along the line. As they do make the extra stops, much of their timetable must reflect this difference. I do not know whether the Canadian Pacific would deliberately try and downgrade the "Canadian". We do know that there are express cars and other types of cars being handled on the rail end of this supertrain that we have become used to it, and it is our opinion, there is no effort being made to improve the service, there is no effort being made by the employees of the Canadian Pacific within the passenger train branch to be given the information and be provided with the facilities to give the information to the public generally, and this would naturally tend to downgrade it.

Mr. SALTSMAN: Prior to this discontinuance of the "Dominion", was the "Canadian" running on time more consistently?

Mr. SKOBERG: Well, I do not have the actual timetable, the actual facts, but I would suggest, it was definitely.

Mr. CARON: This morning I was asking somebody a question and I received the wrong answer I believe, and you may be in a better position to give it to me. The CPR has taken away the "Dominion" and from then on, they have only one train going west, and one going east. Could you tell me how many cars, or how many trains the CNR has doing the same thing?

Mr. SKOBERG: I understand, three, sir, on a transcontinental basis.

Mr. CARON: And do you think, or do they seem to believe that the CNR is doing a lot better and is not losing money with those trains?

Mr. SKOBERG: It is the opinion that they are not losing money. This is the opinion of—

Mr. CARON: So, if the CPR would advertise a little more and give a little more service, they could do the same as the other and make a little money?

Mr. SKOBERG: If they use the three steps that we have suggested in the brief on page 2, it is our opinion that this could be done. They could improve the situation as far as passenger loss is concerned.

Mr. CARON: Do you believe that the CPR has advertised their product sufficiently?

Mr. SKOBERG: I just missed that, sir—

Mr. CARON: Well, you take the CNR, they advertise their red, white and blue. This is a special program where they have different rates for such a day. The CPR has not done the same thing, and has not advertised at all, in this sense.

Mr. SKOBERG: I believe in all fairness they have in the past tried to improve their passenger situation, but at the same time, some of the services provided were not of the same calibre as what the opposing railroad may have been.

Mr. CARON: They tell me that the prices have increased a lot on the CPR and not so much on the CNR. Is that true?

Mr. SKOBERG: I am not in a position to know that, sir.

Mr. CARON: You are not in the position? All right, thank you.

Mr. CARTER: I was interested in the train coming on time and if I understood this correctly, the reply to Mr. Saltzman was that before the "Dominion" was taken off, both the "Dominion" and the "Canadian" kept on schedule better than they do now.

Mr. SKOBERG: Before the "Dominion" was taken off—

Mr. CARTER: Yes. In other words they were not as consistently late as they are now?

Mr. SKOBERG: The passenger trains—there is a definite attempt made in my opinion to keep both trains on time, but when the downgrading of the "Dominion" commenced, time was no element. The "Canadian" naturally, I believe, was much more on time at that time, when they started downgrading the "Dominion". It was much more on time then. It did not matter about—

Mr. CARTER: You regard this consistently running off schedule, to be late, as a further downgrading or as one step to downgrading the "Canadian".

Mr. SKOBERG: I would suggest, yes.

Mr. CARTER: Earlier, in your answer to the first question, with respect to the passes. I thought I understood you to say that the CPR in their records assessed the value of the pass and entered it into their records, the value of this pass to the employee. Is that what you said?

Mr. SKOBERG: It was my opinion, and our information that each employee is assessed so much on each pass that is issued and this is reported in the bookkeeping of the Canadian Pacific and so shown up in some form or other.

Mr. CARTER: You do not know where they enter it? Do they enter it as a part of the wages or is it entered in revenue? You do not know where they enter that?

● (15.26)

Mr. SHERMAN: Mr. Skoberg, I am impressed by the fact that your brief, although it comes from a labour organization places very little stress on the labour ramifications, the employment ramifications of the cancellation and elimination of the "Dominion" passenger train in this area.

On page 1 of your brief your organization states that "it is realistic to say that without fear of contradiction that with the elimination of any rail service 'X' number of employees with 'X' number of years of service will be directly affected." I am sure none of us could argue with that contention. It is a rather bland and temperate statement for a labour organization to make. I suggest that some labour organizations would go much further than that and speak out much more strenuously in that area. When you say that as a result of the elimination of this service, it is obvious that "X" number of employees with X number of years of service will be directly affected. Would you go so far as to say that an appreciable number of employees will be out of work, or are out of work, have lost their means of livelihood as a result of the elimination of the "Dominion" passenger service in this region?

Mr. SKOBERG: This, sir, will be dealt with with the railway labour association brief, but the main reason for leaving this as you suggest, "X" number of employees and "X" number of years service, is that invariably it can be cross-examined as has been done before the Board of Transport, as to whether or not "X" number of employees actually have been directly affected. It is our contention that as soon as a train is taken off, there are employees directly affected by having to move to other classifications or freight, or any other service. Freight is the only other one that is left. As they move into freight service, they progressively knock off the bottom man on the list or these people in passenger service, in particular, have only seniority on passenger trains and they are finished. There is no other employment for them, if there is no passenger trains except hiring on at the bottom end of this seniority roster of the freight seniority list and naturally, to hire on there at the age of 55, you can well imagine trying to take up this type of work. In addition, of course, many of these people have been injured in service or other things, and they have been passenger trainmen. They are directly affected.

Mr. SHERMAN: Do we infer from this that there are two or more unions involved in this situation?

Mr. SKOBERG: Oh, yes.

Mr. SHERMAN: Being directly affected by something economic is not necessarily a bad thing though, is it? I mean, you could be directly affected in a beneficial way, not necessarily in a harmful way.

Mr. SKOBERG: It would be rather difficult to suggest to an employee that has spent the best years of his life as a passenger trainman and he is now 50 years of age and has no employment left that he is not going to be directly affected economically. He will be directly affected because there is no other employment for him in the type of employment he is used to.

Mr. SHERMAN: Yes. Well, I see what you mean. The term "directly affected" does not necessarily convey the argument to me that you are pursuing in your brief. What you are saying is that a good many people are harmfully affected, or are affected to their harm, rather than to their benefit. It is not just a case of being directly affected, it is a case of being economically injured, injuriously affected.

Mr. SKOBERG: I might suggest that we are not only dealing with railway employees in the Moose Jaw and Council brief, but we are referring to the other people who have to move from one area of the country to the other for employment purposes, that will be directly affected as well. But we have to be broadly based in this regard. We cannot segregate one group from another.

Mr. SHERMAN: One further question, Mr. Skoberg. What is the reason why this hypothetical employee whom we are discussing, cannot transfer directly from passenger to freight?

Mr. SKOBERG: Well, one of the main reasons is the requirement in the union agreement. The second, naturally, would be that of his age and his capabilities. It would be impossible for him to conduct the type of manual labour required of freight trainmen, that is expected to transfer into that type of service. Many of these people are there for reasons of illness and type of sickness such as this.

Mr. REID: Mr. Chairman, I would like to ask Mr. Skoberg a few questions dealing with his concept of the national transportation policy and also on the question of what kind of direction would he like the government or the authorities to lay down for the railways to follow?

Mr. SKOBERG: I would not be presumptuous enough, sir, to—

Mr. REID: Everybody else has, feel free.

Mr. SKOBERG: —suggest what could be done or how it could be done, but we do have opinions regarding it.

Mr. REID: Well, that is what we are looking for.

Mr. SKOBERG: It is our thought and our opinions that we suggested here that a national passenger train transportation policy be given high priority before further segmentation result between the East and West. This is the particular portion we were referring to. Because our problem is if we are to continue at the pace we are presently in in the planning of a coordinated passenger policy.

Mr. REID: Railway passenger policy?

Mr. SKOBERG: I am not dealing with any other type of transportation in his. That we are really going back, away back in history. Now, all you have to do is look at Japan, Europe and any other place that has really come out now and developed, and the United States, a very thorough transportation policy or are in the throes of developing it, such as the United States is, I say that if this Committee is not prepared to come out strongly and urge that there is a national rail transportation policy set, it is really a disservice to Canada generally.

Mr. REID: There is one difficulty. These areas where these other countries are developing very extensive passenger service, all have one thing in common which Canada does not have, and that is a very high density of population in a relatively compact area. We have only one area in Canada that I think fits that, and that is western Ontario, including Montreal possibly.

Mr. SKOBERG: Well, I would suggest, sir, that if we pursue that line of reasoning, that this country never will develop. If we sever the east from the west particularly at this time, then we should sever it completely with our resources and everything else.

Mr. REID: The other difficulty is that according to the newspapers we will have by 1971 these jumbo aircraft that are capable of carrying up to 500 passengers at a time. This is about twice as much as any transcontinental train can handle, and it will go there in about a tenth of the time it takes to go by train. Would you not be willing to admit for the sake of argument, at least, that this would be a compensation policy. In other words, a potential alternative mode of transportation.

Mr. SKOBERG: I would suggest, sir, that people generally do not want to travel on the aeroplanes. If they are able to, and given the opportunity that they will use the passenger trains as their mode of transportation—that they are not in that much of a hurry, outside of—once again we get back to a certain

segment of the population—I do not really think that passenger trains will ever take over from rail passenger traffic if the saleable service is there.

Mr. REID: The key word is saleable at cost. Fine. Thank you, sir.

Mr. CANTELON: I am afraid Mr. Reid has pretty well covered the points that I was going to make. However, I would like to make this point. I just want to say that it is indicative of the attitude of western Canadians generally towards this severing of one part of the country from another which you mentioned that you had your brief presented in French. I am sure we all appreciated it.

There is just one point that I perhaps might follow along in what Mr. Reid was saying and that is, do you think that as part of your national transportation policy that the rail line should devote itself to a feeder policy, even on the main lines? It has been suggested that we have a rail liner type of train from Calgary to Winnipeg, would you be satisfied with that? As part of your national transportation policies?

Mr. SKOBERG: I believe that when the feeder lines were cut off by the Board of Transport, authorized by the Board now with representations made to them at the time, however, they dealt naturally, with anything but the economical and social impact on the communities affected. This, in effect, then meant that there would be no main line passenger trains left.

Now, anyone in the west can ably tell you that out of Regina particularly, there are enough trains out of there servicing the entire north and south areas to really cover the entire district. Out of Moose Jaw, we had one down to the Sault line to North Portal which was the one remaining link between Vancouver and Emerson at that time on an international railway. It was granted abandonment, even though there was figures to show that there was definitely need for it, even on a military situation. But once the feeder lines were cut off to the main line, then the main line ceased to be a transcontinental passenger train and the people were only trying to go from one small area to another, if they could get to the main line. Possibly, you are quite correct that in western Canada, if we are going to sever the East from the West in this fashion that there is no need then to go further than Winnipeg.

Mr. CANTELON: I think, Mr. Reid was trying to make the point that we are not going to sever it as long as we have these long distance planes that will carry 400 or 500 passengers at a time. You can catch them at say, Regina or Calgary or Winnipeg, and that would take you where you want to go more efficiently and more cheaply than the rail can do it. What I was trying to get at, do you think that as part of your national transportation policy that main line should be devoting itself to feeding these points so that the passengers can move from there on.

Mr. SKOBERG: I consider it very necessary for it to be a trans-Canada passenger train with the feeder lines coming into it on a broadly based transportation system. I can use one example, Prince Albert. Regina to Prince Albert. That train used to be well patronized. There used to be eleven to thirteen cars on it. It was taken off completely. Now that fed the main line, and those people coming in no doubt, many of them went to Montreal and east.

Mr. CANTELON: Do you think those people, even today would take the transcontinental line or would they come down here, say, and take the air line?

Mr. SKOBERG: I would suggest they would take the transcontinental line if the service were provided within reach of their economic position.

Mr. FAWCETT: Mr. Chairman, I did not intend to ask a question at all, but I wanted to clarify something that Mr. Sherman was on. Do I understand, Mr. Skoberg, they have in this area a freight seniority list and a passenger seniority list as far as the brakemen and conductors are concerned, the trainmen? This is the way it operates, and as a result of this when passenger traffic or facilities are curtailed and passenger men are displaced they do not hold seniority on the freight list. What I want to get at is, the reason they are in passenger service is that they have made a choice as between passenger and freight, is this not correct?

Mr. SKOBERG: Sometimes due to reasons that this is the only choice left.

Mr. FAWCETT: Yes, injuries, or health. Therefore, when a passenger train is taken off and they are displaced off the passenger train and the seniority does not permit them to work other passenger trains, they would naturally then go to the bottom of the freight seniority list.

Mr. SKOBERG: They cut into position on there. I am no authority on this schedule. But they cut into a position on the freight trainmen's list.

Mr. FAWCETT: But, it could be that they are far enough down on this list, that they would have to work, say, for instance, a spare board and take a reduction in pay, and probably have to work jobs, such as work trains, that maybe their physical condition should not permit them to. I just wanted to clarify this particular aspect.

Mr. SKOBERG: This is right.

Mr. SALTSMAN: Thank you, Mr. Chairman. Several questions that I intended to pose to the witness have been asked and answered, but I have one question I would like to ask Mr. Skoberg, and it is on the third page, the second paragraph, and rather than take it out of context, I am going to read it.

"The Moose Jaw and District Labour Council believes that unless the CPR is prepared to provide efficient and competitive service that they should remove themselves from all passenger service immediately and entirely and that this Committee should recognize the urgency in the transportation passenger situation and recommend the implementation of a national transportation policy." The part that concerns me here is this: we are complaining about the take-off of services, and I am referring now to "The Dominion", or the diminution of it. You make the statement that the CPR should remove themselves from all passenger service immediately and entirely. If this step was taken, this is a drastic suggestion, what do you suggest should be an alternative to give the people rail transportation service?

Mr. SKOBERG: With your recommendation and implementation of a national transportation policy I would expect that this would be looked after in letting the Canadian National run their trains over the CPR lines. It is utterly useless at this time to have a Company that is not prepared to provide efficient, saleable service to the public, and compelling them to stay in the passenger service. The

Moose Jaw and District Labour Council suggest that if this is the case, we are quite prepared, and would recommend at any time that we let the Canadian National take over all passenger train transportation in Canada.

Mr. SOUTHAM: Well, a further question following this, there are places, of course, where the CN and CP run parallel and are in competition. I agree with you that it is understood, that in any national transportation policy there would be some kind of agreement whereby the CP would run over the CNR tracks but there are many areas where you do not have CNR tracks anywhere in proximity to the CPR tracks, and therefore, it would increase the hardship that we are now dealing with.

Mr. SKOBERG: With joint trackage rights, this could be looked after quite easily. The labour movement as has been suggested, is not prepared to look at advancement I would like to suggest that we are quite prepared to look at something if it improves the type of service to the employees and the people in Canada generally which we represent.

Mr. SOUTHAM: This paragraph then does not suggest that there be a diminution of services at the moment, you would have to co-ordinate this policy at the national level before the CPR got out of the business, so there would not be any cut-off of passenger service in the meantime.

Mr. BÉLANGER: Could I ask a question, Mr. Chairman?

The VICE-CHAIRMAN: Mr. Pascoe.

Mr. PASCOE: Mr. Chairman, and Mr. Skoberg, I have a few places marked on this very excellent brief but they have been mostly covered, but just in reference to our hearings, on page 1 you said, "Our Labour Council wish to express regret at the timing of these hearings, in that with the busy season at hand the people will not realize the seriousness of the lack of passenger facilities until it is too late". Could you follow that up, Mr. Skoberg?

Mr. SKOBERG: I believe, Mr. Pascoe, that at the Regina hearings before the Board of Transport Commissioners there were quite a few witnesses that came in and gave actual situations that existed as to their trying to obtain accommodation on these passenger trains. Right now this is the busiest part of the season in western Canada, and for the people to try and get in as actual witnesses and present additional repetitious evidence before this Committee is just about impossible. Also, with the weather the way it is now, it is the wintertime the people actually realize what it means to have no transportation system.

Mr. PASCOE: If I may be allowed to make a comment, Mr. Chairman, I think the number of briefs submitted here and the largest number we have had yet in the public gallery, would seem to realize in Moose Jaw here the seriousness of the situation. I just wanted to make this comment.

Mr. SKOBERG: It was the individuals I was thinking of, trying to get them in before your Committee.

Mr. BYRNE: Mr. Skoberg, you are the second witness today that has introduced a question that disturbs me no little, and that is the suggestion that if we develop a transportation system to conform to the particular situation, such as the densely populated area of eastern Canada, that we are doing

something which tends to separate us. I suppose you realize that we have what is known as the bridge or the uneconomic area of northern Ontario, that stretches I believe from Kenora to Sudbury. You know that this exists, I think we pay something like \$20 million direct subsidy to the two railways, to carry their equipment across this line in an uneconomic area?

Do you not think that it would be good practice if the density and population increased to such an extent, or even as it exists today, that you have a fast train service, a local service, during the day, say from Winnipeg to Calgary, which would be similar to what we have from Montreal to Toronto. Would this not be rather a progressive step to take in the way of rail transportation passenger service?

Mr. SKOBERG: Well, I would suggest Sir, that if a saleable service was put between Winnipeg and Calgary, on a smaller scale, it would be bought. I believe people would use it, but I do not think this would take the place of a transcontinental passenger train.

Mr. BYRNE: We have one transcontinental and if we can satisfy the western Prairies with a fast daily service during the day, would this be acceptable or would you consider this would be a special economic undertaking by the railways that would tend to separate the east from the west?

Mr. SKOBERG: Well, we have to agree there is no use having duplication of service, and possibly if this service was provided for western Canada, it would be quite satisfactory.

Mr. BYRNE: What I am trying to get at is, should we have this fast equipment rushing across the northern part of Ontario where it is understood you would not have people boarding the trains, so it is conceivable that we could have a fast operation out here and we could have a fast operation in mid and eastern Canada.

Mr. SKOBERG: I believe it is quite possible.

Mr. BYRNE: Now, there is another aspect to this. Do you know in Canada what statutory commodity rate we have? There is only one that I know of—a statutory commodity rate in Canada. Do you know what that is?

Mr. SKOBERG: No.

Mr. BYRNE: Well, that is the grain rates which affect only western Canada. Do you think that this tends to separate us in anyway? This is a special statutory rate. So far as I know we have no other statutory rate.

Mr. SKOBERG: Are you referring to the Crowsnest Pass rates?

Mr. BYRNE: Well, as far as I know we have no other statutory rates affecting commodities in Canada, but we do have with respect to grain rates. You would not say that this has in any way disaffected the west from the east.

Mr. SKOBERG: I believe these were granted as a rate, and not any concession necessarily.

Mr. BYRNE: Well, it was a statutory rate. It is something that Parliament has instituted.

Mr. SKOBERG: This is a right though, of the Western people, in this regard.

Mr. BYRNE: That is a matter of argument.

The VICE-CHAIRMAN: Are you through Mr. Byrne? Mr. Boulanger.

Mr. BOULANGER: I will ask you in my own language a straight question, for I want to comment on your brief. Are you morally convinced that the CPR, as far as the passenger train service is concerned, has in mind to get out of it altogether?

Mr. SKOBERG: I can say quite forthright sir, that I am morally convinced that they intend to get out of it.

Mr. BOULANGER: Then, if you are, would you not say that you are playing their game and just opening the door as they wanted you to open it, when you say here that if they are not prepared to provide efficient and competitive service that they should remove themselves from all passenger service immediately and entirely and that this Committee should recognize the urgency in the transportation passenger situation and recommend the implementation of a national transportation policy. Do you not think you are playing in their game so that the CNR will be left, in my language "holding the bag"? Are you not afraid of that?

Mr. SKOBERG: Well, sir, I quite agree, but the principle of the Moose Jaw and District Labour Council, and I believe in any labour councils or federations, is that we are concerned with the people that are represented, and are citizens of Canada. We are not concerned with whose hand we are playing into—or when, I believe Canada as a whole, and this Committee has had to accept the fact that citizens generally are entitled to some consideration.

Mr. BOULANGER: I thought you would have given me an answer—

Mr. O'KEEFE: Do you advocate nationalization of the CPR?

Mr. SKOBERG: I would say if the Canadian Pacific is not in a position to provide service to the people of Canada, which I maintain they are obligated to do, then they should be nationalized. Under the other system, if possibly some of the concessions were taken away from them and they got back into the transportation field again, they may provide service. But, right now, to nationalize the Canadian Pacific, I do not advocate it, in its entirety, if they are prepared to meet their obligation.

Mr. O'KEEFE: When you say transcontinental, what did you have in mind?

Mr. SKOBERG: Coast to coast.

Mr. O'KEEFE: Which coast?

Mr. SKOBERG: Pacific to the Atlantic, with the proper facilities to make connections, such as Montreal, which there used to be.

The VICE-CHAIRMAN: Thank you Mr. Hudson for your magnificent brief, and I hope you will have a good answer.

Mr. HUDSON: Thank you.

The VICE-CHAIRMAN: Now, the next brief will be presented by his Worship the Mayor, Mr. J. D. Jackson, President of the Saskatchewan Urban Municipalities Association.

Mr. BALLARD: Do you have copies of this brief.

The VICE-CHAIRMAN: They are available. You will have a copy in a minute.

Mr. JACKSON: Mr. Chairman, this is a submission of the Saskatchewan Urban Municipalities.

The VICE-CHAIRMAN: Would you hold it just a minute, please.

Mr. JACKSON: I am sorry.

The VICE-CHAIRMAN: Mr. Jackson is the Mayor of Meadow Lake, but he is the representative of the Saskatchewan Urban Municipalities Association. Does everybody have a copy of the brief? Would you carry on please Mr. Mayor.

● (15.53)

Mr. JACKSON: Mr. Chairman, this is a submission of the Saskatchewan Urban Municipalities Association to the Standing Committee on Transportation and Communications. Mr. Chairman, members of the Committee, the Saskatchewan Urban Municipalities Association, is an organization formed by some 340 cities, towns and villages, containing a population of upwards of 600,000. These communities are scattered throughout the length and the breadth of the province, and are linked together by some 7,500 miles of provincial highway, several thousand miles of railway, and the province is served with a nominal air service. In addition to our system of highways, some 70,000 miles of rural roads are needed to serve our farming population. Thus, you can see that every one of us is concerned about transportation in one way or another. Our Association holds Annual Conventions, at which our mutual problems are given a thorough airing and at our most recent convention, held last March, the abandonment of the CPR passenger train, known as "The Dominion" was discussed. At the conclusion of the discussions, our delegates passed the following resolution:

"That the Federal Government be urged to implement a national passenger train transportation policy. This will ensure adequate rail passenger service for all parts of our nation and that this 61st Annual S.U.M.A. Convention instruct the Executive to make official representation to the House of Commons Standing Committee on Transportation and Communications, when they conduct hearings in Western Canada, concerning the adequacy of CPR passenger service."

Our association has observed that the Federal Government with the state of the national economy each passing year, and as time goes on, it is continually attempting to devise measures to protect and preserve the welfare of the national economy. If the Federal Government is to effectively carry out its role as the protector of our national well-being, then it must concern itself with all of the elements which have a bearing on the national economy. Included among them, is an effective and efficient transportation system. It naturally follows therefore, that if the Federal Government is to exert the optimum influence on our national well-being, it must develop a comprehensive and all-inclusive transportation policy. We believe that this policy should cover all means of transportation, including air, sea, rail, road and pipe line. We also believe that this transportation policy should apply to the movement of people as well as to the movement of goods and supplies, since as often as not, the one depends upon the other. The development of our resources, before they can be utilized, the sale of commodities used by our society, and the building, the repairing and the

remodelling of our communities, of our homes and of our businesses, depends as much on the free and easy ebb and flow of our human resources as they depend on the free and easy flow of national and other resources. The Federal policy, when it is fully developed, should, in our opinion, be administered by one single agency, responsible to the Parliament of Canada. This agency, as we visualize it, should concern itself with all the factors affecting the comprehensive and all-inclusive transportation policy. It would, among other things, weigh the economics of the transportation carriers, the economic and social aspects of the situation on a community and regional basis, and the effect on the economy of the nation as a whole.

We wish to express our appreciation for this opportunity of appearing before you and making our views known. We hope that your efforts will be successful. This is respectfully submitted this 11th day of May, by myself, President of the S.U.M.A.

The VICE-CHAIRMAN: Thank you very much, Mr. Jackson.

Mr. OLSON: Mr. Jackson, I just want to ask you one question about this matter, because it has come before us many times, and I would like to have you expand slightly, or a little, on the composition and the authority of this board that you are suggesting be set up. On page 3, at the top of the page you say "the federal policy when it is fully developed, should in our opinion, be administered by one single agency responsible to the Parliament of Canada". Now, what I want to ask you, so that we are clear on it, is this: Are you suggesting that the federal transportation policy should be administered by this board that is to replace the Board of Transport Commissioners, the Maritime Commission, the Air Transport Board, etc.

Mr. JACKSON: As I interpret the association's viewpoint.

Mr. OLSON: Then, is this same board going to be responsible for attempting to work out policy? I presume, when you say "responsible to the Parliament of Canada" that this is for the administration and the regulatory aspect of a transportation board, and I am wondering if you are suggesting that this same board have the responsibility of developing policy and acting in an advisory capacity to Parliament.

Mr. JACKSON: It is my understanding that this would be our suggestion. We feel that transportation involves much more than just somebody running a railroad. For instance, it should be integrated with all of the others. As we have indicated, it should be a comprehensive board.

Mr. OLSON: I am concerned though, about the administering of regulations as separated from the development of policy.

Mr. JACKSON: I do not think that our organization—and this is all I am able to speak for—I do not think that we have gone into to the exact operation of this board, but we feel that this board should replace the whole piece-meal policy that is in effect now. You have boards looking after harbours, transportation, a railroad line, etc. We feel that a comprehensive board, looking after all aspects of transportation would be the greatest answer to this.

Mr. OLSON: I have to repeat myself. I am sorry, Mr. Jackson. You say that one board should be looking after all of this, but should they be determining

policy, or administering policy that is given to them by Parliament. It is not an advisory board you are talking about. You are talking about an administrative, regulatory board.

Mr. JACKSON: That is right.

Mr. SALTSMAN: Your Worship I am interested in the second paragraph on Page 2, in which you say if the federal government is to effectively carry out its role as the protector of our national well-being it must concern itself with all of the elements which have a bearing on the national economy, included amongst them is an effective and efficient transportation system. As you know, the federal government has limited authority in the field of transportation. It is going to come into conflict with provincial prerogatives. How do you think this can be dealt with in order to get this kind of a comprehensive transportation system that you are advocating?

Mr. JACKSON: I think, Mr. Chairman, that this was answered this morning. It was indicated that there would be co-operation as far as we were concerned in this area, with the federal government and if adjustments were necessary, that this could be achieved—in this area at least.

Mr. SALTSMAN: This would mean the regulation of those forms of transportation which are now under provincial jurisdiction.

Mr. JACKSON: We agree with this. We feel that the question before us is this "Dominion" train being abandoned—discontinued. Possibly with help from an over-all board, you would find substitutes, or you would find something that would complement this, but today we—our organization—maintains it is a piece-meal deal, with nobody looking after it. Those interested in buses have nothing to do with railroads. The people looking after these two modes of transportation have nothing to do primarily with airplanes. If you were to have them all co-ordinated you would have a much more efficient system.

Mr. SALTSMAN: You then picture an agency that would license all carriers federally, with perhaps administrative offices working in conjunction with the provinces in order to give some element of local contact?

Mr. JACKSON: As I indicated, our association has not gone into specific details as to how this would be achieved.

Mr. SALTSMAN: In your restrained brief, Your Worship, I rather detect the sort of thing you get from all of those who are responsible to their municipalities, namely a feeling that perhaps this province has been to some extent at a disadvantage, by the inadequacy of the transportation system. We hear a great deal about the West losing population to the East, and the concentration of industry in the East. Am I correct in detecting this? And, if so, are you suggesting that a better transportation system would have a tendency to make the West more competitive in terms of attracting industry to it?

● (16.03)

Mr. JACKSON: Mr. Chairman, this is a long and involved question, and I have not been authorized by the association to go into this aspect but, personally, I would think that a better policy would certainly be advantageous to the whole country.

Mr. BYRNE: Your Worship, I gather that the Association of Saskatchewan Urban Municipalities is separate—that it includes the outlying—

Mr. JACKSON: All the cities, towns and villages in Saskatchewan who are members.

Mr. BYRNE: All cities; that would include Moose Jaw and Regina?

Mr. JACKSON: It does not include the rural municipalities.

Mr. BYRNE: Do you agree with Mayor Baker of Regina, that this policy which you are suggesting; that is, this federal policy would recommend giving all four services in all communities, that is, passenger transportation services to all communities, regardless of the cost?

Mr. JACKSON: No. We say that this board should be—

Mr. BYRNE: You are not then agreeing with Mr.—

Mr. JACKSON: I am not prepared to say. I do not know what his brief was, but our submission is that a Board be set up. They may, as I visualize it, recommend that some of these trains be taken off and replaced by buses.

Mr. BYRNE: That is a very reasonable suggestion.

Mr. JACKSON: They would have an overall picture. We are not suggesting that every community be served by train, that every community served by rail, and every community served by—no, no, this is not our suggestion.

Mr. BYRNE: You said "included among them is an effective and efficient transportation system".

Mr. JACKSON: That is right. It might include—

Mr. BYRNE: Is there not a danger, however, with a policy set in Ottawa, without having had members come out to look around as we have been doing today that we might impose a system upon the public because of the economics, or the desirability. It seems now that they prefer to ride on buses. If we should impose that on them, and set the rate, would this be a happy situation.

Mr. JACKSON: It was never our suggestion that you remain in Ottawa. I think this board would be expected to keep its ear to the ground, and its finger on the pulse of the people.

Mr. HYMMEN: Mr. Chairman, since we had representation this morning from the province of Saskatchewan, and we have heard from the mayors of Moose Jaw and Regina, I appreciate the opportunity of hearing you, sir, represent some 340 urban municipalities. The main object of your brief seems to be this over-all transportation board, and I am not being facetious when I say that suggesting a committee is one way of burying a matter, and since it might take a little time, even though the Minister of Transport has already suggested the implementation of a body like this, I am trying to get at the basic problem, and assistance could be given to this immediate area. We have one transcontinental train by the CPR now, The "Canadian". There has been some talk of its being late, and of putting express cars on the tail-end which is another problem we heard of in Medicine Hat. If this train were operated efficiently time-wise, with the proper consist, and every effort made toward providing proper reservations, would that not help? We already heard this

morning of some local problem here with Day liner service from Winnipeg to Calgary. I am coming to my question; from your knowledge, aside from the expressions given by the two local Mayors, gathered from all the 340 cities, do you think—that the re-institution of The “Dominion” service, which was more or less a local service, added to the one transcontinental train, might be the answer here, for the time being.

Mr. JACKSON: Mr. Chairman, I might answer this question by reviewing what transpired in the recent convention which is made mention of here. This convention was held when The “Dominion” being taken off was right at its peak, and it was the feeling of our association that we were not—our association was not in the position to determine whether this train should be taken off, should not be taken off. We were not in a position to determine the economic, social aspects of this. So, as a result of this feeling, our association passed this recommendation that an adequate comprehensive, transportation board be set up. They should be in a position to tell you whether the “Dominion” should be taken off or not, not me—I do not pretend to, and our organization does not pretend to deal with these specific things, but we think that a competent board set up would. Does this answer your question?

Mr. MACEWAN: Just a couple of short questions in regard to this. I believe you mentioned Mayor Jackson, a comprehensive board for all types of transportation. It may be that your organization has not gone into this, but I do note that you said that it is a board that should stay in Ottawa.

Mr. JACKSON: I said “should not” stay in Ottawa.

Mr. MACEWAN: Right. Could you give us any idea, or any suggestion of the numbers that should compose this board, and who should make the appointments to this board.

Mr. JACKSON: This has not been gone into by our association. We just think a board could be set up.

Mr. MACEWAN: But it would deal with all types of transportation in Canada?

Mr. JACKSON: That is right.

Mr. MACEWAN: Thank you, Mr. Jackson.

Mr. REID: Mayor Jackson, in your resolution on the first page you mention adequate; could you give a definition of “adequate”?

Mr. JACKSON: No, I could not.

Mr. REID: Well, do you want the “Dominion” back? Do you want a second transcontinental train? Do you want local service from Calgary to Winnipeg?

Mr. JACKSON: We want this competent board to decide whether they want these back or not.

Mr. REID: In other words, you are willing to leave it in the hands of this board which is your major recommendation. You do not like the way it has been handled, so far, and you want a better way of coming to these decisions.

Mr. JACKSON: I think the over-all transportation policy should be unified under one board rather than piece-meal.

Mr. PASCOE: Just two short questions, sir. Mayor Jackson, on page 2, where it says "a comprehensive and all-inclusive transportation policy", was the suggestion of nationalizing the CPR brought up and if so, what was the reaction?

Mr. JACKSON: It was not brought up.

Mr. PASCOE: These views that you have here, were they presented at all to the earlier hearing of the Board of Transport Commissioners when they were investigating the possibility. Did you appear before them?

Mr. JACKSON: These were never presented to the Board of Transport Commissioners.

Mr. PASCOE: I just wanted to know if these views were presented at the hearing of the Board of Transport Commissioners when they were investigating the possibility of withdrawing the "Dominion".

The VICE-CHAIRMAN: I want to thank you very much, Mr. Jackson. The next brief will be presented by Mr. C. C. Williams, Alderman of the City of Regina. Before Mr. Williams starts to read, I would ask the Committee if it is possible to try to phrase your questions a little shorter, and it will be much easier for the witness and I think the Committee would progress much faster. Thank you very much, gentlemen. If you would like to read your brief now, Mr. Williams.

● (4.15 p.m.)

Mr. C. C. WILLIAMS (*Alderman, Regina*): Thank you. I have no intention of encroaching on the very excellent brief as presented by Mayor Baker of my city, but as an alderman I do get around quite a lot to meet quite a number of people, and my brief presents my own feelings together with those I have come in contact with, you might say, the man on the street.

Gentlemen, I hope you have had a pleasant trip across the west and will return to Ottawa with a western viewpoint. As you know, the Canadian only makes seven regular stops between Winnipeg and Calgary—a distance of approximately 800 miles. Obviously, this provides poor service to the travelling public, the members of which must often travel many miles to board the train. There have been innumerable complaints in regard to difficulty in securing reservations, either in sleeper or day coach. The latest example concerns a local situation where a man and wife had purchased CPR Steamship tickets in Moose Jaw from an Eastern port to the British Isles. The next step was to get a reservation on The Canadian, which for several weeks, and in fact almost right up to the date of departure—was found to be impossible. By something of subterfuge, a reservation was secured through the office of a neighboring town. It is difficult to understand the reasoning behind these annoying situations. Meals on The Canadian are reported to be quite high in price—another source of annoyance. A sharp increase in passenger fares last Fall has further annoyed the public and tended to drive business away—perhaps intentionally. Rumour has it that the sleepers parked in Regina each night and picked up by the Canadian, are to be replaced by an older type containing all roomettes on May 29th. These cars are to be cut off in Calgary and Winnipeg, respectively, instead of going through to Toronto and Vancouver as they do now. This procedure can only have the effect of reducing space and result in added difficulties for the public in securing accommodation. The Board might check on the accuracy of

this train while in Winnipeg. One of the first signs of downgrading a passenger train is by including freight cars with the regular equipment. This has been reported as having taken place across part of the Prairies on May 2nd, and I would like to read into the record, a letter in that connection, Mr. Chairman, which appeared in the *Regina Leader-Post* last Saturday. It is quite complimentary to the "Canadian", as a matter of fact, in most parts. It is entitled:

Mixed Train—Many of us have forefathers who were dramatically involved in settling this great Western region beyond the lakes. As a consequence, the nostalgia regarding our great railroads is deeply based in the hard facts of daring, foresight and plain economics. In succeeding decades since the last fight near Revelstoke, we have witnessed many developments in Canadian economy, citizenry and method of transportation. The continual development of improved railroading is certainly not the least among these great changes taking place in this rapidly growing country. From the foregoing, it is evident that the recently installed trans-nation trains should give healthy cause for a little pride in the breast of the thoughtful citizen.

This service speaks of Canadian integrity in obvious and unmistakable terms as a very efficient, comfortable testimony of our Canadian ability to conquer the distance, the extreme temperature and the mighty mountain ranges. Surely, a private railroading company with cognizance of this great heritage and its responsibility of the integrity of we Canadians would have too much pride to permit their staff to tag box cars onto the combination scenic-dome-and-observation car with all its streamlined beauty. What would any passenger be forced to conclude as he reclines in the wonder and comfort upon looking out to see box cars attached to one of the best trains in the world—operated by one of the world's wealthiest companies.

As citizens, let us try to tell our Canadian Pacific Railroad directors that whether profitable or not, the "Canadian" is "Canadian" and that there is much at stake when a great national image is blatantly flouted for the few dollars fast freight revenue, as was witnessed May 2, between Brandon and Broadview".

It is signed by a Mr. Haskins of Moosomin, Saskatchewan.

Last March, your Committee questioned several of the top CPR officials in Ottawa, and one of the questions asked was the possibility of operating a Rail-liner between Winnipeg and Calgary. Mr. Sinclair replied to the effect that it might be considered if the intermediate cities would agree to underwrite any losses. I feel that this rather smart reply is unworthy of one of the company's top men. This brings up the whole matter of the discontinuance of passenger service. The company takes the attitude that if no profit is involved, they have a right to take the trains off. I disagree strongly with this principle, and claim that service to the general public should be the first consideration, especially in times like the present when the railroad is making fabulous profits in freight

and other endeavours. Losses on passenger service are trivial in comparison and could be easily absorbed.

The agreement entered into back in the early '80's made reference to the company providing adequate passenger service to the general public. I suggest they have not lived up to this original intention. The corporation consists of a tremendous empire, with its mines, hotels, millions of acres of farm lands including mineral rights, steamship lines, railways, trucking lines, airways, ferries, and so forth. In spite of its colossal wealth and income, it has adhered to the policy over many years of asking for alms in the form of grants, subsidies and concessions. The tax-free mainline west of Winnipeg is perhaps the most glaring example, and no government appears to be able to correct this. One cannot help but wonder if Canada can afford the CPR, which has been a marked success as a financial institution, but a failure is a first-class transportation company. I refer here, Mr. Chairman, to bad public relations, difficulty in transporting grain, abandonment of branch lines. The company stock is high and pays a good dividend. Of the twenty-six blue chip stocks in the financial page of Saturday's *Leader Post*, it was shown to yield 6.91 per cent, the second highest of all.

Officials should be asked why they are continually striving for added profits and using questionable means to take more money from their customers. The word "questionable" is perhaps a little out of place. And maybe "unusual", "improper", might have been better. I am not questioning the matter of honesty. The corporation is very unpopular with the general public and even disliked by most of its own employees, according to my information. I suggest to the Committee that the recommendation be made to Parliament to the effect that the "Dominion" be restored with equipment equal to that now on the "Canadian", this train to make more local stops for the accommodation of the travelling public. Failing this, that a daily rail liner be operated between Winnipeg and Calgary and perhaps extended to Banff or Lake Louise during the tourist season. Furthermore, that in the event of any operating loss, the same be absorbed by the company and no government subsidy paid. Attached is a copy of an article appearing in the *Regina Leader Post* a few weeks ago under the heading *Railway Accused of Public Swindle*, which further indicates the temper of both the western and eastern farmer in so far as the CPR is concerned. Please read it before returning to Ottawa.

C. C. Williams,
Alderman,
City of Regina.

The VICE-CHAIRMAN: Any comments? No questions?

Mr. REID: Alderman Williams, I think in the fourth paragraph you mentioned the degrading of a passenger train—

Mr. WILLIAMS: Downgrading.

Mr. REID: Downgrading, by including freight cars with the regular equipment. Why do you think the company did this? To degrade the passenger service or to provide a service that was otherwise unattainable?

Mr. WILLIAMS: I have no idea why they did, but I do suggest this. That was the first step taken—it was a year or two ago—when the “Dominion” was taken off. One of the first steps was to put freight cars onto the passenger train. At one time, the “Dominion” was almost on equal status with what the “Canadian” is now. I can’t tell you why they put them on.

Mr. REID: My second question concerns the second paragraph. It has to do with the underwriting of any losses in this service. Does the city of Regina subsidize the municipal transportation service?

Mr. WILLIAMS: Yes, unfortunately; they lost \$313,000 last year.

Mr. REID: In other words, then, why would you object to subsidizing a service that is going to be purely local across the western prairies?

Mr. WILLIAMS: I do not think a subsidy is necessary. I explained here later on that the CPR makes tremendous profits in other endeavours and they should be able to absorb any loss in passenger service.

Mr. REID: Thank you.

Mr. BYRNE: Mr. Williams, in the second paragraph you give an example of when you start a reservation. The latest example concerns a local situation where a man and wife had purchased CPR steamship tickets in Moose Jaw from an eastern port to the British Isles. Did they buy these tickets from a recognized travel agency?

Mr. WILLIAMS: There are lots of CPR agents here, as far as I know.

Mr. BYRNE: And they neglected at that time to check whether they could get to the—

Mr. WILLIAMS: I would not say they neglected. The local agent did not have the space for them. That can always be arranged later. I imagine they got them in plenty of time, probably several weeks in advance.

Mr. BYRNE: Well, then, they did not miss their connection?

Mr. WILLIAMS: Oh, no. I just showed this as an example as to how difficult it is to get reservations.

Mr. BYRNE: There is a current rumour that the old cars are going to be used in Regina as sleeping cars. Is there any substantiation of this?

Mr. WILLIAMS: No, I have purposely suggested that your group could probably check the accuracy with a phone call when you get to Winnipeg. That is the story that is going around Regina right now.

Mr. BYRNE: I do not know much about railroads, but how are you able to connect a freight car which does not have the steam connection, the heat connections, and so on, between the diesel unit and the baggage cars? Is this practical?

Mr. WILLIAMS: I do not know how they would do it unless they could put them right on the end and they would not need to have the signal or the steam go through. It is the only thing I can think of.

The VICE-CHAIRMAN: Maybe this question could be asked in the next brief by the Railway Labour Association.

Mr. BYRNE: In other words, then, this car was hooked on behind the parlour car.

Mr. WILLIAMS: According to this gentleman in Moosomin, it was between Brandon and Broadview.

Mr. BYRNE: That is all the questions I have.

Mr. SHERMAN: Alderman Williams, in paragraph 6 of your brief, sir, you refer to the agreement entered into back in the early '80's. You say it made reference to the company providing adequate passenger service to the general public. I was wondering where, in that agreement, the company was committed to providing adequate passenger service to the general public. I do not think that I have encountered that term before.

Mr. WILLIAMS: I do not know the exact wording.

Mr. SHERMAN: But we have been concerned all along, sir, with the obligation under the contract of 1880, defined as being an obligation to "thereafter and forever efficiently maintain, work and run the Canadian Pacific Railway".

Mr. WILLIAMS: I would think that that was implied at that time. This word "adequate" that I have used apparently is not in that sentence that you have just quoted, but I would certainly think that that was the intention when the agreement was arrived at. I can not think of anything else because the passenger service would be one of the main sources of revenue at that time.

Mr. SHERMAN: Well, this is the crux of a lot of our difficulty ever since the Committee began to sit and consider this question about elimination of the "Dominion" passenger service. We have never yet satisfied ourselves as to the legal and normal basis for the CPR's actions on the basis of that contract of 1880. We have not been able to determine to our own satisfaction whether the words "to thereafter and forever efficiently maintain, work and run the Canadian Pacific Railway" mean that the railway was legally or morally obligated to forever efficiently maintain and run a rail passenger service across western Canada. This is a point that we would like some guidance on, because the CPR position is quite the opposite of the one you take, as you well know, sir.

Mr. WILLIAMS: Certainly. If is going to cost the company more money, they will try to avoid passenger service where they will lose money. But I feel, sir, that we should not be ruled by a dead hand of the past forever. That was 70 or 80 years ago that that agreement was entered into. The man who drew up the agreement have passed on half a century ago. I think we should take a more modern outlook now and make our own decision as to what should be done, not go away back to these hoary old agreements, if you want to call them that, of 1880, 1881. They were pretty onesided, I think you will agree to that.

Mr. SHERMAN: Well, I quite agree, but in other words, you are suggesting that running the Canadian Pacific Railway means running a rail passenger service.

Mr. WILLIAMS: I think it does.

Mr. SHERMAN: One final question, Mr. Chairman, if I may. Alderman Williams at paragraph 9, you say that you are pressing, and the people that you represent are pressing for restoration of the "Dominion" with equipment equal

to that now on the "Canadian". Earlier in your brief, you leave the unmistakable impression that you are not very impressed by the "Canadian" as a service, in terms of the rail passenger service it provides. May I ask you this, then. Would you be willing to see western Canada serviced by only one transcontinental CPR passenger train if that train were the "Dominion" with the same kind of equipment that the "Canadian" has?

Mr. WILLIAMS: I think that would be an ideal arrangement. In so far as any reference to poor service on the "Canadian" is concerned, I am referring to the poor service where they stop so seldom. I have no doubt but that the coaches are swept and there is linen put in the berths once a day. There is nothing the matter with the way the train is operated in itself, but I do think it would be a splendid thing, and I think the railway would make money on a "Dominion", with the equipment, and they have all kinds of equipment in the back tracks down east to put on diners and sleepers and make a splendid train out of it. And I think they could have had that train filled to capacity for months, probably most of the year. As someone said a little while ago, there are three main line trains operating on the Canadian National north of here. I do not think they operate the year round—two of them do operate the year round but I am not sure about the third, but I think the Canadian Pacific could do just as well. But for some reason or other they seem to be bound to get out of the passenger service and they have just about eliminated everything else except this one train, the "Canadian", and a few down east.

Mr. SHERMAN: Thank you, sir.

Mr. ROCK: How many times in the past two years have you used the CPR as a passenger?

Mr. WILLIAMS: I do not think I have used it at all.

Mr. ROCK: You know, there is a claim that the passengers have left the CPR. It is not the CPR leaving the public. And I think you have answered it very well. I think that this is true fact, that many of the people today do not use the railway as they did in the past. They take aircraft; they are looking for speedier methods of transportation and they find the train slow. Do you agree on that?

Mr. WILLIAMS: I travel by train quite a bit. I take the rail liner in Regina, go up to Saskatoon and can catch a train in either direction inside of two or three hours. I do not have a bit of difficulty. I leave Regina at 5:30, take a train out of Saskatoon around 9:00 if going west, or around 11:00 if I am going east. It is quite easy to get—

Mr. ROCK: In the past two years.

Mr. WILLIAMS: The "Canadian", no.

Mr. ROCK: I do not mean to go with the "Canadian" or the "Dominion"; I mean on that transcontinental route.

Mr. WILLIAMS: I was on the "Dominion" four or five years ago from Winnipeg to Regina. As I remember it, it was practically all freight cars or, one coach; there was no place to get anything to eat.

Mr. ROCK: Do you have any idea how many people in this municipality here are, let us say, steady customers of the CPR?

Mr. WILLIAMS: I am sorry, I could not tell you that.

Mr. PASCOE: Mr. Chairman, Alderman Williams gave the answers I want in regard to possible restoration of the "Dominion", so I will just ask one more question, and that is in regard to his reference to the sleepers parked in Regina and perhaps being replaced by a lower class of accommodation. Have you any idea of the public demand on those sleepers now, or are they used very much?

Mr. WILLIAMS: I could not answer that, Mr. Pascoe. I am sorry. I imagine any CPR passenger man in this part of the province could tell you that right here, but I am sorry, I could not.

Mr. PASCOE: It has been a service for quite a while, though, has it not?

Mr. WILLIAMS: Oh, I think so. Since the "Canadian" started going through between three and four o'clock in the morning, they have had no sleepers that cut off there.

Mr. PASCOE: I have used them myself—

Mr. BOULANGER: Just one short question, Mr. Williams. Will you accept or agree with this statement that we have received from a few members of labour associations ever since we started the inquiry, that the way it seems now, the people who will suffer the most by being deprived of the train service will be the working class of people or the old age people or pensioned people rather than business people, industrial people and professional. Would you agree with some of these union leaders who said that?

Mr. WILLIAMS: I would think they are probably correct. People who are well off will just go down to Regina, they will just get on the plane and they'll be down east in a few hours. Unless the people are allergic to plane travel or something of that kind, but as has been mentioned here earlier in the day, and as you have just mentioned yourself, that is, older people perhaps don't like to ride planes, or people with lower incomes find it cheaper to go by train. And many people do like a trip by train.

The VICE-CHAIRMAN: Thank you very much, Mr. Williams.

Mr. REID: Mr. Chairman, could I make a motion to have the article from the *Regina Leader Post* in our records? It is referred to in the brief, as part of the submission.

Mr. WILLIAMS: And if you think I was critical just take a look at that—

The VICE-CHAIRMAN: Will somebody make a motion to—you withdraw. O.K. The next brief will be the Railroad Labour Association, by the Chairman. Mr. C. A. Ratee.

Mr. REID: Mr. Chairman, do we have copies of this brief?

The VICE-CHAIRMAN: I will ask Mr. Ratee to read the brief, please.

Mr. C. A. RATEE (*Railroad Labour Association*): Mr. Chairman and members of the Committee, I have been instructed to present the following on behalf of the Railroad Labour Association, Moose Jaw Division, which I will refer to as the RLA. The RLA is an association and not concerned in collective bargaining. The RLA was formed for the purpose of co-ordinating the views and activities of railroad people of this division. In other words, a grass roots association.

proud of our heritage and the community in which we live, also proud of the job we are doing and deeply concerned for the communities where we reside.

The VICE-CHAIRMAN: Would you try to talk a little louder?

Mr. RATEE: Early in 1966, the CPR train known as the "Dominion" was eliminated after various hearings which were held by the Board of Transport Commissioners. It came as quite a shock and surprise when the Assistant Chief Commissioner stated: "In formulating my opinion, I have not weighed the economic or social impact upon communities. In my opinion, these are not matters to be considered and weighed by the board in the discharge of its duties under the Railroad Act." The R.L.A. would like to ask what other arguments can the various groups put up but the social and economic impact upon communities? Surely we cannot argue K formula, jaeger system, regression analysis, and the variable costs formula. It would appear that these systems are very flexible and cannot be understood by our association. We are not embarrassed by this, as on June 18 and 19, Mr. Donald Gordon, President of the CNR, admitted that he did not understand these systems and depended on the experts. To compound this misunderstanding of the figures, in 1963, a deficit of \$17,000,000 was claimed for moving grain when the railroad appeared before the MacPherson Royal Commission. But later, when the third report was received from the royal commission, this became a profit of \$500,000. also, the track maintenance cost for the "Dominion" was shown at the recent hearing of the Board of Transport Commissioners at \$1,932,657, but later, one of the CPR experts stated that road maintenance for hauling the Russian wheat would be \$500,000. Yet it would take in excess of 220,000 boxcars between the railroads to handle the Russian wheat movement. This seems odd, when the "Dominion" was a three-car train when it was eliminated. So the R.L.A. believe it is safe to say we cannot argue figures.

However, the R.L.A. does believe that the people who appeared before the Board of Transport Commissioners in regard to reductions and abandonment should be given some consideration. And the social and economic impact upon communities should be taken into consideration. We feel it is unfair to judge on the financial figures only. Yet we know the restrictions placed upon the Board by the Railroad Act with which they have to deal. The R.L.A. is of the opinion that the points of reference are too restrictive and the Board handed down the only decision which it could under the Railroad Act. When this brief was first discussed by the R.L.A., it was felt it would be quite long. But on reading material regarding the various hearings, we began to wonder what could be said that already had not been said. It is our opinion there is not much left for us to say. Certainly there is no sense in bringing up the freight rate increase of 21 per cent in 1948, which was granted by the Board of Transport, at which time it was stated that this increase was allowed to offset any loss in passenger service. And a further increase was given of 17 per cent in 1958 and the Board reconfirmed the statement on the decision regarding the 21 per cent increase.

Of course, in 1958, the CPR had more than fourteen branch line passenger trains running out of Regina and Moose Jaw. Today there are no passenger assignments on branch lines on this division. Would there be any point in bringing up the number of employees who have been displaced? In 1960, the

financial report showed a total of 74,037 employees. In 1964, the number of employees shown is 68,540, a decrease in three years of 6,497 employees. Yes, the R.L.A. is concerned over the reduction in manpower. We believe this is a legitimate concern when you consider a short space of eight years ago, twenty-five hundred men were employed on this division. This has now shrunk to about one thousand. This, the R.L.A. believes, has an economic and social impact upon communities. Would there be any sense in disputing the fact that the people are leaving the rails? In the *Calgary Herald* a few days ago, it was reported that 17,000,000 people travelled on the CNR in 1965. In the year 1964, 6,748,000 travelled CPR. It would appear that if the service is available and competitive, people will still ride trains. The CPR states in its summary that only four elements apply to passenger mode of travel. These are convenience, comfort, speed and cost to passengers. But we, of the R.L.A., feel that five other elements should be added: age, health, relaxation, safety and availability.

● (4.45 p.m.)

In regard to availability, we believe that people will travel if the trains are available and, in fact, we know of groups who would use the service if available. Possibly one of the reasons that the Canadian Pacific trains run only partially loaded is due to the reservation system. We believe that a reservation train warrants a non-reservation train, or at least some non-reservation accommodation to accommodate people who are not able to see far enough ahead or in advance to apply for reservations. Can anyone here state that it would not be impossible for someone in this court to report home due to sickness or some other cause, yet a train would be leaving but you could not get on it due to having no reservations. The R.L.A. would like to suggest that telecommunications could be used in a reservation system, which would release space more efficiently. We would also like to suggest that the sleeping car conductors have space released to them for sale. This, we feel, would help to put more passengers on the one remaining train. The R.L.A. would like to suggest that this passenger train is still a good saleable product, if it is competitive in price and service with the other railroad. We hope that you will recommend a national transportation policy for Canada which would provide through and local service.

In closing the association I represent would like to thank you for being allowed to present this brief. It is encouraging to know that the passenger problem is a concern or this Committee would not be here at this time. Respectfully submitted by the R.L.A.

The CHAIRMAN: Any questions for Mr. Ratee?

Mr. OLSON: I would like to ask you, Mr. Ratee, if you could give us some elaboration on the statement that you made on page 3 where you say "in fact we know of groups who would use this service if available". What groups are you talking about?

Mr. RATEE: We have made a trip down to Swift Current and it has been the practice in Swift Current in the last number of years to take anywhere from 350 to 500 children, high school children, and take them into Regina to the Parliament Buildings for a day, the museum and the Mounted Police barracks. And we went down to him to see if they would use it if it was available. He said

yes, definitely, if available. The time the "Canadian" goes through, they can not use it. The children would have to get up at midnight to get into Regina.

Mr. OLSON: Do you know of any group—this could be met though by a local service, couldn't it? Do you know of any groups that would use this service if it was available for long passenger rides, say to Winnipeg—no that's not too long, but to Winnipeg or Vancouver or Toronto.

Mr. RATEE: Yes, I know of some.

Mr. OLSON: I just thought that you made what appears to be a fairly positive statement here. I just wanted to know if you had that information right at your fingertips.

Mr. RATEE: Mr. Olson, I could make a case for the Club. They tried to arrange a trip to Winnipeg.

Mr. OLSON: Winnipeg.

Mr. RATEE: Approximately five to six weeks ago.

Mr. OLSON: Now, what problem did they run into?

Mr. RATEE: One of the Executive was telling me that he asked for a figure and they got a figure back, I believe this figure was around \$60, and it was \$40 on the CNR but they would have to go up to Saskatoon and they ended up travelling TCA for \$38.

Mr. CARTER: I wonder if the witness could speak a little louder.

Mr. OLSON: In this case, it was a matter of not being competitive as far as price was concerned.

Mr. RATEE: That is right.

Mr. OLSON: Did they have the space if he was willing to pay the \$60? Did they offer to accommodate them?

Mr. RATEE: This group asked for a car to be spotted in Moose Jaw. The group in Regina thought it was a very good idea. They wanted the same accommodation. They would not spot a car in Moose Jaw.

Mr. ROCK: You are still talking about the group of children from the school?

Mr. RATEE: Yes.

Mr. ROCK: I got a surprise because usually school groups would rather travel by bus to a capital city. Once they get to the city, they can see the city also by staying in the same bus. Usually, whether there is service from Montreal to Ottawa, and certain groups have taken the train, they find that they have to always walk in an effort to see the sights. The following year they surely come by bus. I know this because I have had about 3,000 students come from my constituency itself. Once they go by train, the next time they want to take the bus. I do not think the railways rely on this type of future customers.

Mr. RATEE: You could be right, sir, but for the last eight years they have always had eight cars once a year into Regina with about 450 to 500 school children.

Mr. ROCK: And what do they do now? Did they go by bus or go by car?

Mr. RATEE: I don't think the arrangements are made yet this year to take them.

Mr. REID: Yes, I was very impressed by the absolute figures you gave on page 3 of the number of people who travelled by train in the last year. Do you happen to know what percentage of total inter-city passenger miles is represented? I mean, seventeen million is a big figure but there were 150 million people who travelled by all other means of transportation. This is not a big figure.

Mr. RATEE: Each ticket sold travelled on an average of 148.7 miles.

Mr. REID: The CPR tells us that the total railway passenger miles and this includes all railway passenger service in Canada, was only 3.8 per cent of the total in the last year, and that this has been a steadily declining amount as other forms of transportation come in. So that, in effect, the railways, would you agree have a declining share of the market.

Mr. RATEE: I would not agree to that, no. Because if you eliminate a train, naturally, you lose a good portion of your business.

Mr. REID: The other question is on the same page when you suggest that telecommunications could be used in the reservation system which would release space more effectively. Do you foresee some sort of a computer type of operation which would carry this out?

Mr. RATEE: Yes, and I would like to see the same system the air lines use.

Mr. REID: But the air lines only have two types of seats, first class or economy and the railways have—you could probably tell me how many varying types of accommodation are available on the train.

Mr. RATEE: There would be compartments, drawing rooms, bedrooms, roomettes, day coach, uppers, lowers.

Mr. REID: It would have to be a much more complicated system, then.

Mr. RATEE: Yes, it would.

Mr. REID: And consequently, more expensive. Fine, thank you.

Mr. PASCOE: Mr. Chairman, I am interested in this reference on page 2 to the economic and social impact on communities caused by the elimination of passenger service. I was interested in the comment of the Assistant Chief Commissioner, as follows: "In formulating my opinion I have not weighed the economic or social impact on communities. In my opinion, these are not matters to be considered and weighed by the board in the discharge of its duties under the Railway Act." Do you think that the social and economic impact should be considered by them.

Mr. RATEE: Oh, yes, definitely.

Mr. PASCOE: You made reference here to the reduction in the number of employees. I suppose part of that reduction would come from curtailed passenger service and you refer to the drop in eight years of the men employed in this division from 2,500 to about 1,000. Certainly I would consider this would show the economic and social impact on the communities. Certainly I would think it

would have a great effect on the community. You are arguing then the Board should look at that particular aspect in considering railway problems.

Mr. RATEE: Mr. Pascoe, yes.

Mr. PASCOE: Except reservations. Do you think the CPR could work out a better system of reservations.

Mr. RATEE: I would suggest that they release the space better. Say a passenger got on at Vancouver right now for Kamloops and that passenger got off at Kamloops, the space isn't released to the sleeping car conductor. He doesn't know where it is released, it could be released to Winnipeg, so he can't sell that space from Kamloops to Winnipeg. So he figures if I sell it and hit Calgary, somebody is going to get on for it. So he can't sell it. He doesn't know what to do.

Mr. PASCOE: Well, are reservations called for at different points along the line. So there will be reservations held at Moose Jaw that the Vancouver man couldn't pick up.

Mr. BALLARD: Thank you, Mr. Chairman, Mr. Ratee, I was interested in the statement that you made on page 2 with reference to two applications that have been made by the railway, I suppose, to the Board of Transport Commissioners and this is the applications made in 1948 and 1958. You say that in 1948 they were granted a 21 per cent increase in freight rates and you said specifically there that this was granted by the Board of Transport Commissioners to allow for or to offset any possible loss of passenger service. I believe from what you say that you imply that the same reason was given for the granting of the increase in 1958, that is, the increase of 17 per cent. Is that correct?

Mr. RATEE: That is correct, sir.

Mr. BALLARD: What I want to know is, where did you get this information from? Did you see minutes of the Board of Transport Commissioners or—

Mr. RATEE: It is in the March 30 report, 1948, the 21 per cent, and in 1958, 17 per cent.

Mr. BALLARD: Even at that time the Board of Transport Commissioners did feel that there might be a reduction in passenger traffic. Your argument is that this has already been taken into account by these two increases in freight rates. You feel at the present time that part of the freight income of the CPR is intended to cover a deficit from passenger train service.

Mr. RATEE: I would say that 21 and 17 per cent.

Mr. SALTSMAN: On the question asked, I might just indicate my experience in regard to the movement of students to Ottawa in particular by the CNR. The CNR has a service from Galt to Ottawa which is eminently successful. Each year more and more students use this particular train service—a comprehensive program, a very imaginative program, and very successful. I just thought I might mention that. My question has been answered now.

Mr. BYRNE: Before asking this question, I want to assure you that I am as concerned as anyone about the question of employment and I think one of the greatest fears of any employee is the fear of losing his employment.

On page 2 you do say that in 1960 the financial report shows a total of 74,037, employees, or, in other words there have been 6,497 employees displaced since 1960. Would this really be displacement, or would it be attrition, would these employees retire, or would they be anywhere near that number who lost their employment?

Mr. RATEE: I hardly doubt it, sir. The pension rolls now would not be too far away from 18,000. So taking 6,000 in three years, I think most of them would be caught up in automation.

Mr. BYRNE: Most of them actually lost their jobs. Do you know what percentage?

Mr. RATEE: Six years ago we had 87 passenger men in Moose Jaw; on this list we have 12 today working.

Mr. BYRNE: Have they been absorbed?

Mr. RATEE: They take their seniority as of 1963, on the freight list if they are eliminated out of the passenger.

Mr. BYRNE: And some of them are then dropped off the bottom?

Mr. RATEE: Yes.

Mr. BYRNE: What do you mean by "on this division"?

Mr. RATEE: They are all Moose Jaw district.

Mr. BYRNE: I have figures here, given to us this morning by the Mayor. The population of Moose Jaw in 1954 was 28,000, in 1964 it was 35,000. Have you any idea just what the unemployment situation is here in Moose Jaw? Would you say there is any appreciable number of people unemployed?

Mr. RATEE: No. I would say that there is a fairly small labour surplus.

Mr. BYRNE: Do you believe then that in the interest of technological improvements and improving the efficiency that very substantial consideration must be given to the employment situation, but we must also consider the economics; otherwise we are going to drop out in any event, because there is not the demand for the service. Your union agrees that there must be technological improvement.

Mr. RATEE: Oh, yes definitely.

Mr. CARTER: I am interested in the first four or five lines on page 2. You indicate that it is not much use to go before the Board of Transport Commissioners unless you are armed with a lot of figures to bolster whatever arguments you want to put forth. You put it in these words, "The R.L.A. does believe that people who appear before the Board of Transport in regard to reductions and abandonments should be given some consideration". Do you feel that the reason you do not get consideration anyway, is that you do not have the figures.

Mr. RATEE: We do not get consideration because we do not have the figures.

Mr. CARTER: In other words, there is not much point unless you can reinforce your argument and prove it statistically, or at least offer some statistics in support of your argument. And do you attribute that to the restrictions placed on the Board of Commissioners by the Railway Act? You also

say that "the social and economic impact upon communities should be taken into consideration". You are a railway employee yourself? Are you familiar with the decision handed down by Judge Freedman, is it, recently on the runthroughs?

Mr. RATEE: Yes, I am, sir.

Mr. CARTER: Would you say that Judge Freedman's decision would meet your criticism here? Does it go far enough to give consideration to the social and economic impact upon communities.

Mr. RATEE: I feel that Judge Freedman gave a very good report. Actually the whole argument in my estimation hinged on the unilateral action of railroad at that time and runthroughs. I still think that it can be negotiated if the parties had been called on to negotiate it. That is the end—

Mr. CARTER: Do you feel that this should be a matter of negotiation in future contracts, rather than a decision by any authority?

Mr. RATEE: I believe so.

Mr. CARTER: I think Mr. Byrne questioned you about the decrease in the number of employees over a three-year period. You went down nearly 6500 in three years. You were in your own division right here. In eight years, you went down from 2500 to 1000. Can you tell the Committee if any part of that the decrease was due to automation, the effect of automation?

Mr. RATEE: Yes, at that time there was a very large staff here for steam engines, at the round house, boiler makers, tender men and various other trades, and of course, they have all been eliminated. That, of course, is one reason that there has been quite a few of them moved into Winnipeg.

Mr. CARTER: On page 3 you outline a whole list of factors that you feel should be taken into consideration with respect to passenger service, and you state that "The CPR states in their summary that only four elements apply to passenger mode of travel". You name them as convenience, comfort, speed and cost to the passenger. Then you go on and you outline five more which you feel apply also. I notice that you have not included dependability in your five. Would you say that dependability is an important factor?

Mr. RATEE: I believe so, yes.

Mr. CARTER: And where would you place that in importance? Would you place it up with the four mentioned by the company, or put it among your five? What order of importance would you give it?

Mr. RATEE: No, I would put it right beside availability.

Mr. CARTER: In other words, you put it last. Thank you.

Mr. FAWCETT: Mr. Byrne asked the question I was most interested in, and that is the local situation. I just want to ask one question and I do not know if you can answer it or not. Do you have any figures on the productivity increase for employees by the people in the running trades? Do you have these available?

Mr. RATEE: No. I do not have the figures at hand.

Mr. FAWCETT: I know they can be produced but I just thought perhaps you might have them.

Mr. HOWE (*Wellington-Huron*): I would just like to ask Mr. Ratee a supplementary question to the one that was asked by Mr. Ballard in connection with the paragraph in the middle of page 2 where it indicates that in 1948 there was a 21 percent increase granted by the Board of Transport at which time it is stated that this increase was allowed to offset any loss in passenger service. Was that the only reason that the increase was given, just to offset; was there any other thing taken into consideration in allowing that 21 percent increase in freight rates?

Mr. RATEE: The board ruled at that time and I can't quote the exact language of it, but it said that they could see no reason at that time for an increase, but due to the fact that there was a loss in passenger service they would grant the 21 per cent increase.

Mr. HOWE (*Wellington-Huron*): Did this hold true? If my memory serves me correctly, I think that in the 1958 increase that was allowed other factors in connection with increased costs were taken into consideration. It was not just to offset the loss of passenger service at that time.

Mr. RATEE: They again reaffirmed the fact that it was the passenger service that was losing money, along with the other factor, and they gave the 17 per cent increase.

Mr. HOWE (*Wellington-Huron*): There were other factors though besides the loss of passenger service at that time.

Mr. RATEE: Yes.

Mr. SOUTHAM: I think Mr. Ratee on the first pages of the brief spent some time on economics, the cost accounting system that has been considered by the first Royal Commission, and so on. He expresses some doubt as to it being understandable and refers to the K formula, the jaeger system, regression analysis, and various cost formulae. I presume you associate yourself with Mr. Donald Gordon who admitted himself that he did not understand their system. Would you agree that we as a Committee should get some independent outside cost accounting experts to help us analyse the figures that are presented to us?

Mr. RATEE: I believe so, yes.

Mr. PRUD'HOMME: While we have this under consideration I want to get your further view because you have dealt with it at some length. That is all I have to ask; Mr. Chairman, I had several other questions but they have been covered.

Mr. BELL (*Saint John-Albert*): Well, Mr. Chairman, my question was asked by Mr. Ballard and Mr. Howe, but I want to state to the Committee that I think we should get the decisions, the last two decisions that were referred to, of the transport board on the horizontal freight increase in '48 and '52, because I think it is important. This has come up before, and I think it is important that we know exactly how much the board felt of this increase should be attached to the passenger part of the service. Was it just one of the minor factors in the decision, or was this one of the major reasons why the increases were given to offset passenger service. This is not quarrelling with you, Mr. Ratee. In fact, I am not quarrelling with your phraseology, I just think that it may come up again, and the Committee should try and get those decisions even before we get back to Ottawa.

Mr. ANDRAS: Mr. Ratee, I have a question on the reduction in total staff. The CPR has come up with a figure, and by your figures there has been a reduction between 1960 and 1964 of some 5,500 employees. The Canadian National has been brought up as having been much more aggressive during this last period of years in going after passenger train business. Would you agree with that?

Mr. RATEE: Yes.

Mr. ANDRAS: Just for the record, it appears that I have the Canadian National's employment figures here and they have gone from 104,000 employees in 1960 to 93,000 employees in 1964, so it would support your other indication that automation too is taking its toll and this reduction is not entirely due to the CPR's program of diminution of passenger service.

Mr. RATEE: Oh, no. I would not make that remark.

Mr. ANDRAS: Actually, I think many of the unions have been more militant in their briefs in regard particularly to the "Dominion" passenger service cancellation than perhaps some of the other organizations that have appeared. I am not saying this in any sense of trap. I wonder if the labour relations of the Canadian Pacific Railway would have been perhaps more enlightening than they were, if, say, the principles of the Freedman report in broad terms had been applied, well in advance of the cancellation of the "Dominion"? What would be your attitude towards the "Dominion" passenger train itself, in other words, if they had sat down with you and worked out the tremendous problems with regard to your union contract relations? What would be your feelings toward the cancellation of passenger train service?

Mr. RATEE: I would not feel that we should have local service and through service.

Mr. ANDRAS: You would still feel that apart from the employment problem that the "Dominion" or some local service should be maintained? Thank you very much.

Mr. OLSON: Mr. Ratee, on the first page of your brief, you say, about three-quarters of the way down "to compound this misunderstanding of the figures in 1963 a deficit of \$17 million was claimed for moving grain." I wonder if this is a typographical error because I think that evidence was taken in 1958 for a year prior to 1958, and just for the record would you agree that this is an error?

Mr. RATEE: It could be an error. I got these figures from a meeting in Ottawa.

Mr. OLSON: One other question, Mr. Ratee. Do you have any CPR pensioners in your organization?

Mr. RATEE: Oh, yes. I would say approximately close to a hundred.

Mr. OLSON: Close to a hundred; and I suppose some of them have long service passes?

Mr. RATEE: I would say most of them, yes.

Mr. OLSON: They regard this as part of the condition of their long service, is part of the amenities or part of the total?

Mr. RATEE: Yes, I believe so.

Mr. OLSON: Whether it was written into the contract or not, it was implied, and they understood it to be part of their retirement benefits?

Mr. RATEE: That is right.

Mr. SHERMAN: Just one question, Mr. Ratee. With respect to the decrease in number of employees between 1960 and 1964 on the CPR, your brief states that over that period there was a decrease of 6,497 employees previously on the CPR pay roll. Do you have any way of knowing how many of those people were separated from their jobs directly as a result of the discontinuance of the "Dominion" passenger train, and how many perhaps left voluntarily?

Mr. RATEE: No.

● (5.15 p.m.)

Mr. SHERMAN: The company made a point in its brief of stressing that in the period 1960-65 the company hired on the average 5,000 new employees annually, and that over that 5-year period, the turnover in the company's labour force due to retirements, resignations and deaths, averaged approximately 10 per cent. There is no way that you can help us at this moment to relate those figures that you have given in your brief to the argument that the company has advanced in terms of staff turnover.

The VICE-CHAIRMAN: Well, thank you very much, Mr. Ratee.

Mr. O'KEEFE: Mr. Chairman, with regard to a question Mr. Southam asked a short while ago in connection with an independent accountant examining the statistics given by the Canadian Pacific Railway, was this not already done by the MacPherson Royal Commission on Transportation, and would it be really necessary for us to have another independent expert go into it? Would you like to comment on that or not, sir.

Mr. RATEE: No, I would not. No.

The VICE-CHAIRMAN: I want to thank you very much, Mr. Ratee, for your brief. Now, I will call upon Mr. John S. Burton from the office of the leader of the opposition in Saskatchewan.

Mr. JOHN S. BURTON: Mr. Chairman, before I commence, I would just like to clarify one point and that is while I am employed in research work in the office of the leader of the opposition, Mr. W. S. Lloyd, I am presenting this brief on my own account. I was a candidate in the recent federal election in the city of Regina. Unfortunately, I did not do quite as well as the members of the Committee, but a number of people in Regina suggested to me that I should make a submission to this Committee since I had already taken some interest in the matter.

Mr. Chairman, and members of the Committee, last year, I was one of many people who presented a brief to the Board of Transport Commissioners opposing the CPR application to abandon the "Dominion" passenger train. It was my contention that this application should not be entertained until such time as the CPR put forward satisfactory proposals for alternate service.

Many people hoped the board would heed the widespread public protests. However, as I understand the judgment handed down, the board considered that many of the objections made were points for consideration beyond the scope and jurisdiction of the board. No such legal or other restrictions bin

your Committee. It is for this reason that I particularly welcome the investigation now being made.

A major point for consideration is the obligation of the CPR to provide passenger services. At one time, the railway provided the only means of public transport. There could be no question about its obligations. Today the situation has changed. Private automobiles, busses and air lines provide alternate means of transport. The railways no longer enjoy a monopoly, but this does not mean that the railways are freed of their obligation to provide passenger service. True, railways must now compete for passenger business. It has been demonstrated on many occasions that the railways can secure passenger business under present day competitive conditions and, indeed, the degree of public interest whenever questions of passenger service come up can be taken as one indication of public desire to have and use rail passenger services. When the Canadian Pacific Railway undertook in its 1881 charter to "thereafter and forever efficiently maintain, work and run the Canadian Pacific Railway", in my opinion the spirit of the commitment included the transport of people as well as goods. Any attempt to interpret this agreement otherwise, in my opinion, is an attempt to misconstrue this contract. Associated with this commitment is the long list of awards, benefits and perquisites granted to the company which I shall deal with later.

A second major point advanced by the CPR is that public preference has turned to other modes of travel. Possibly, I could comment on this point from a somewhat personal point of view. I have travelled many thousands of miles by railway in Canada as well as in other countries. I have always enjoyed railway travel and generally picked it in preference to other forms of public transport.

A considerable amount of my own rail travel was during the period when rail passenger business was declining. The CPR has glamorized and advertised one train, the "Canadian", and made considerable improvements in service and equipment on it. Beyond that, it is difficult to find many examples of improved service. During a time when rapid advances were being made in standards of bus, auto and air travel, most rail passenger operations trundled along at the pace of the "good old days." It is not surprising that the public will become temporarily infatuated with new means of travel. It is even less surprising to see this infatuation become permanent, when little effort is made by the railway to upgrade its service. Your Committee has no doubt heard examples of poor service, difficulties with reservations and so on, that have contributed to the steady drop off in CPR passenger business.

Saskatchewan's passenger transportation needs cannot be met by two trains passing through the province in the middle of the night. Only two other areas along the route of the "Canadian" have to contend with night time service. They are from Sudbury to White River in Ontario, and from Revelstoke to Fraser Canyon. In the case of the Sudbury-White River run, there is a local day time service.

It is difficult to tell what influence the schedule of the "Canadian" has on travellers to the west coast or to eastern Canada. But there is no doubt that it is very unsuitable for Regina-Winnipeg and Regina-Calgary traffic. A person contemplating going to Winnipeg finds that he either boards the sleeper in the

evening, waits in the station, or goes down to the train at 3:40 a.m. He then arrives in Winnipeg at 11:05 a.m. A person travelling to Calgary has the same problem, only boarding time is 5:32 a.m. and arrival time in Calgary is 2:05 p.m. Many people faced with these prospects will make other travel plans. In each case, the return journey is almost as bad. For local service within Saskatchewan, very few people will choose to board the train at night and get off again long before day time activity has commenced at their destination point.

I cannot accept the CPR's pessimism about future passenger prospects. I wish to outline some reasons why I feel a more positive outlook is warranted.

1. While statistics revealing the low percentage of inter-city passenger miles travelled by rail are very impressive, it has been stressed in answer that a relatively small increase in this figure would place passenger operations on a sound economic basis.

2. The success of efforts of the Canadian National Railways to secure more passenger business should commend itself to all railways. I do not suggest that efforts of the CPR in this regard should necessarily be a photo copy of the CNR; but I do suggest that passenger business could be substantially increased by a combination of reduced fares and improved service and convenience.

3. Many people attempt to obtain a measure of relaxation from the tensions of modern life while travelling. A measure of relief is often secured in travel by automobile. Many people have abandoned the use of travel by train because of a variety of frustrations incurred. Railways can secure a significant amount of new passenger business now travelling by automobile on the basis of improved service, convenience and comfort. Rail travel can be presented as a preferable alternative to travel by automobile.

4. The public is becoming increasingly concerned about the factor of highway traffic safety. With the common use of all-steel coaches, rail travel can now be presented as being much safer than car travel.

A dynamic new approach is required if rail passenger operations are to be a success. Reference has already been made to successes elsewhere under present day conditions. There is a need for a spirit of innovation and imagination in handling this problem. A first class selling job on the advantages of rail travel is needed. There is simply a lack of awareness on the part of the public today of the advantages often to be gained in rail travel. I have had personal experience with groups of people who did not even think of the possibility of rail travel when considering alternative travel plans. While the public might be blamed in part, it also indicates that the railway has failed to sell its service.

One area of innovation that needs to be explored is the possibility of integration of bus and rail services. Some years ago, it was announced by the CPR and Saskatchewan Transportation Company, a provincial crown corporation operating a Saskatchewan-wide bus system, that a joint ticketing and travel arrangement had been concluded. Recently I was informed that such an arrangement now exists with the CNR but not with the CPR, although STC will

honour CPR ticket coupons. How many people know this is possible? How many CPR agents are aware of this possibility? What effort has been made to integrate schedules? In some areas, bus facilities are no doubt more economic, but in these circumstances an adequate standard of service exists only when local service is integrated rationally with other modes of transport for long distance travel.

The success of a passenger program will also be dependent on the level of fares. Here again, the CPR has demonstrated the lack of willingness to promote business. I can cite examples where the CPR has discouraged business and has not offered group fare reductions. Comparative rates from Regina further illustrate present CPR policies. A one-way coach fare ticket from Regina to Winnipeg by CPR, Sunday to Thursday \$15.25; on Friday and Saturday, \$15.85. The CNR ranges from \$9.50 to \$13.00, and the Greyhound Bus fare \$10.90. Regina to Calgary, the CPR fare is \$20, the CNR fare is \$13.00-\$18.00 and the Greyhound fare is \$12.25. It might be noted that CNR travel is via Saskatoon.

There is no need to recount here the history of awards, benefits and other perquisites given to the CPR throughout its history. The Dominion Bureau of Statistics has summarized aid granted by all governments to the Canadian Pacific Railway and other companies now comprising the system to December 31, 1964. Cash subsidies and expenditures on construction amounted to \$106,-280,334. Land grants totalled 43,962.546 acres. The present day value of these awards would of course be much higher. The significant factor I wish to point out is that much of the land grants and some of the other awards have made possible some of the huge profits earned by some CPR investments and subsidiaries. It is my contention that these profits should be taken into account when analysing profitability of operation and in establishing rates and fares. These awards were given in part as compensation for the risks involved in original construction and for possibly unprofitable operations. The primary purpose of the company is still defined as the provision of transportation services. As such, then the company must not be allowed to separate its investments and subsidiaries from its main operation. There are clear indications that this is happening. The establishment of Canadian Pacific Investments Limited and the shunting of many subsidiaries and investments under its wing is a development requiring close watching. And at this point, Mr. Chairman, I would just like to draw to the attention of the Committee a full-page ad which appeared in the *Regina Leader Post* last night which outlined the remarks of the Chairman of the CPR, Mr. N. R. Crump to the annual general meeting of the shareholders. I would just like to comment, first of all, that while the CPR often stresses the matter of efficient allocation of resources, I would like to suggest that in this case these resources would have been much better used had they been allocated to promoting and improving passenger services. I would also like to take objection to one statement in that particular statement and that is the statement that reads "This particular reduction in passenger services"—this is referring to the "Dominion" seems to signal for many people particularly in western Canada the passing of an era to which they were

attached and the company's present and prospective passenger service policy was widely discussed in and out of Parliament". I would like to suggest, that in fact it was the CPR that was not keeping up with the times in its over-all passenger service. As I have already indicated while they did glamorize the one train, the "Canadian", they did not keep up to date in other regards. And they dealt quite extensively with the matter of land grants, and in the very first paragraph, they make one statement that does not accord with my own recollection of Canadian history. They state in 1870, what is now Canada consisted of the three maritime provinces on the east coast. Well, my recollection of Canadian history is that Nova Scotia and New Brunswick became a part of Canada in 1867 and Prince Edward Island was the third province to join in 1873. I think I can find similar disagreements with other statements throughout that particular series of remarks.

● (5.28 p.m.)

It would appear from all evidence that the CPR wants to get out of the passenger business altogether, thus leaving it free to concentrate on what it considers to be more profitable; that is, freight operations and other investments. The CPR has been amply repaid over the years for all of the risks it took in its early history. It has an obligation to the people of Canada to provide an adequate system for the transport of both people and goods at a reasonable cost. If the CPR is not willing to accept that obligation, then I feel that consideration should be given to the nationalization of the CPR. I must make one qualification, though; that is, nationalization with compensation only after full account is taken of the awards, benefits and perquisites granted to the CPR throughout its history. Respectfully submitted.

The VICE-CHAIRMAN: Thank you, very much.

Mr. CANTELON: I am very much interested in the statement that you make at the top of page 2. The CPR of course, has given us very strong comments to the effect that they have tried to merchandise the passenger service, and they have been unsuccessful with it, and that is why they took off the "Dominion". You say it has been demonstrated on many occasions that the railways can secure passenger business under present day competitive conditions, and then you continued to emphasize this point at the bottom of page 3, where you say that you cannot accept the CPR's position about future passenger prospects. Again that same idea appears at the bottom of page 4 when you say "reference has already been made to successes elsewhere under present day conditions". Since we are out to get all the evidence we can, I would very much like to have you give us some illustrations that the railways can secure passenger business under present day competitive conditions.

Mr. BURTON: Well, it seems to me, Mr. Cantelon, that the most obvious example of course, is the Canadian National Railways which has been referred to quite often before your committee. At the present time, there are two transcontinental trains running year-round on the CNR main line. There is a third one running in the summer months, I believe, the Panorama as I understand it, runs in the summer months, and in addition, I can say that there

is also a local train running from Saskatoon to Winnipeg during the summer months as well. In fact, in parts of the line, there are four trains operating at the present time. This contrasts with the CPR where they only have the one train, and I think we can also refer to the efforts involved such as with the rapid service between Toronto and Montreal which of course is under somewhat different circumstances.

We also have the fact that in some other countries, I believe that they have been adjusting successfully to changes in transportation conditions. In Britain, for instance, they have cut out and are planning to cut out under the recent reports submitted to the British government a number of passenger services but they are nevertheless keeping the basic rail passenger operation intact, and they feel confident that they can operate it with success. I think in the United States as well, if I might comment, immediately to the south of us, we have quite comparable conditions to what we have in western Canada, certainly no larger population than we have here. My latest information is that the Great Northern still runs its passenger services, the Northern Pacific still runs its passenger services, and I think we could find many other examples as well.

Mr. CANTELON: The last one or two that you mentioned particularly interest me, because of course the situation say between Montreal and Toronto is quite different from here, where you have a high density of population, and where they are running what in effect is a commuter train which has no sleeping services on it at all, and the same thing would operate in Japan where they are doing this, too. So you have given us some examples. I am quite familiar with what the CNR is doing because I happen to travel on that train. I am lucky that I am on the main line of the CNR, but the point that the CPR continually emphasize is that there is no effective demand for any of these trains, and of course, when they say effective demand, they mean a demand that will get on at the price that is charged.

Mr. BURTON: I think I should point out first of all, that the CNR had its highest number of passenger miles last year that it has had since 1948: they had of course quite a sharp rise as you will probably know, in the number of passenger miles travelled by rail. I might point out as well that the CNR main line where they do have the transcontinental service has a lot less larger populated centres than is the case on the CPR main line. I think we have a larger number of populated centres in major urban centres along the CPR main line than is the case with the CNR main line.

Mr. CANTELON: I do not think Edmonton and Saskatoon would like that comment. However, we will let that pass. Do you agree with comments that have been made earlier that probably the ideal service, although this has not always been said here, would be to have another "Canadian" run at 12-hour difference from what the present one is scheduled.

Mr. BURTON: My view is that I am not necessarily going to say whether or not there should be another transcontinental train or not. My view is that it is the railway's job to provide adequate service and facilities for the demand for the services that do exist under reasonable conditions and at reasonable fares

and costs and services. And if this requires more than one transcontinental train operating at a different time, then fine, I think this should be done. But, I think what we are looking for is some sort of an adequate minimum level of service in the two areas—first in long distance travel and second, with regard to a local service. I think certainly the railway should be competent to work out the mechanics of that.

Mr. CANTELON: You have argued that the CNR and the Great Northern are really the only comparable situations with respect to this, and the CNR does operate three transcontinental trains, so it would be my implication that you are saying that the CPR should be able to do it, too.

Mr. BURTON: I do not see why they should not be able to.

Mr. ROCK: Mr. Burton, you added in your brief a few remarks about the 85th Annual General Meeting and the shareholders report. Do you feel in that case, then, that no companies like CNR or the Bank of Montreal or Imperial Oil should ever print their financial or annual report in the newspapers as they usually do?

Mr. BURTON: I am simply suggesting that they could have achieved a better allocation of resources from an economic standpoint if they had split these funds and other funds into the promotion of passenger business.

Mr. ROCK: In other words, Mr. Crump should not give this information to the public of Canada and the shareholders of the company. This is the way they have done it every year.

Mr. BURTON: I am not suggesting that they should not. I do not know if it's been a full-page ad every year, but I also know that Mr. Crump's remarks were reported quite widely in the press as well.

Mr. ROCK: Do you not feel that a person who is chairman of a board like the Canadian Pacific should give this type of information across Canada to the people of Canada.

Mr. BURTON: If he wishes to do so, this is his decision.

Mr. ROCK: No, no, I am asking you whether you feel that he should or should not give this type of information—the annual report—to the people of Canada. Do you not think that this is not an important document for the public of Canada to read.

Mr. BURTON: Yes, I think it is a useful document for the people to read.

Mr. ROCK: How do you expect him to have the people read if it is not put in every paper in every big city across Canada.

Mr. BURTON: As I said, I think it was reported quite widely in the press; the important part of these comments were printed in the press, and I think fairly accurately.

Mr. ROCK: You would rather have the press change the actual facts at times, as they usually do in many cases, and have the people read that, rather than the real statement.

The VICE-CHAIRMAN: I do not want to call you out of order Mr. Rock.

Mr. ROCK: Mr. Chairman, you can understand the point, though, that he brought the subject into his brief, and therefore I think I was in order, But I thank you.

Mr. O'KEEFE: Mr. Burton, in the third paragraph on page 5, I quote: "I can cite examples where the CPR has discouraged business and has not offered group fare reductions". Would you please give one or two examples.

Mr. BURTON: Yes; last summer on the occasion of the New Democratic Party federal convention in Toronto, which was a function attended by between one and two thousand people altogether, and a large number of people from western Canada, an official of the party made inquiries with both railways as to what facilities or services might be offered in terms of transportation to the convention in Toronto. He was informed by the CNR that group fare rates could be obtained at 10 per cent reduction for ten or more people, 20 per cent reduction for twenty or more people. When he inquired of the CPR they said that no group fare reductions were available. This is my information. As to matters of discouraging business, I can give one example that was just recited to me by a former CPR agent yesterday, of a branch line in Saskatchewan which had had rather poor service at one time, only one train a week or something like that, I believe. There would be six agents or so long that line who made representations to have improved service. They got the service boosted to three trains a week back and forth, and immediately business picked up: passenger business, express business, freight business, LCL and carload freight as well. It picked up quite appreciably. After some fourteen months of this service, the train was cut off without one day's notice, and this was after considerable work by the agents in securing new business and getting steady customers; without one day's notice, this train was cut off and when the agents protested to the superintendent, he informed them, we do not give a "blankety blank" about this sort of small business.

Mr. BYRNE: Mr. Burton, you gave us a couple of examples of how rail passenger patronage is improving or can be increased. One of course, was the Canadian National Railways. We have been told, although I am sorry I cannot find it in the report—we will have to get it from Mr. Gordon when he comes before the Committee—that there will be something like a \$40 million deficit in passenger accounting with the CNR last year. Do you think that is a good example of how well—

● (5.40 p.m.)

Mr. BURTON: The first comment I would make is when you introduce a new service or an improved service, it is not unusual in many different forms of economic activity that in the initial stages you are going to suffer a loss and sometimes a considerable loss, and while the CNR has not published these figures, for reasons best known to itself, it is quite possible that they have suffered this loss. I would suggest that no doubt they budgeted for a considerable loss in the initial periods of this new passenger program.

Mr. BYRNE: You believe that it is the acquisition of new equipment and that they are attempting to write it off in—

Mr. BURTON: Also, there is the initial period when you have not as yet reached your optimum level of business or an increased level of business.

Mr. BYRNE: You are not arguing that they are essentially losing money.

Mr. BURTON: No, I am not in a position to say one way or the other.

Mr. BALLARD: Can I ask a supplementary on that?

The VICE-CHAIRMAN: This was not the habit of the chairman. I would rather give than the floor after Mr. Byrne.

Mr. BALLARD: Well, I hope I have not forgotten the question.

Mr. BYRNE: You have said that the Great Northern has not curtailed its services, and I presume you mean the line running from Chicago to Seattle? Could you tell me how many trains a day they have?

● (5.45 p.m.)

Mr. BURTON: I did not say that, and I did not mean to intimate that they had not necessarily curtailed some service. I am not in a position to say.

Mr. BYRNE: Are they operating more than one?

Mr. BURTON: That was the case for years; I have not had information for the last year or so.

Mr. BYRNE: In item 4, on page 4, you say "the public is becoming increasingly concerned about the factor of highway traffic, safety," and you intimate that it would be much safer travelling on the rails, with these steel car coaches, or the all-steel coaches. What do you think would be the economic effect of putting too much emphasis on this question rather than on the need for safety in automobiles? What would be the effect if people were to take you seriously and move rapidly to the rails? What would be the economic effect then, on the country and in the communities, where we have automobile garages and service depots, and gasoline tax.

Mr. BURTON: I am not suggesting that you could possibly achieve and nor would it make economic sense to have a wholesale transfer of say 50 per cent of your automobile travel from road travel to rail travel, but certainly I think it makes very good economic sense if a lot of the cars that are presently occupied by one possibly two people, if those people found good public transportation services instead. I would suggest that many such people would prefer to travel by such means, rather than taking their own private automobile on fairly long trips. I think it has often been said that possibly we only need to increase the level of inter-city passenger miles from 3.8 as I believe was quoted here earlier to say, 8, 9 or 10 per cent, in order to have fighting economic operation by rail.

Mr. BYRNE: It is really not a method of bringing back the transportation to the rail satisfactorily. You said on Page 6, that cash subsidies and expenditures on construction amounted to \$106 million approximately. Have you any breakdown of those figures beyond the \$25 million?

Mr. BURTON: Found in Table 3 of the CPR publication or the DBS publication number 52-202 CPR Company 1923-1964, and it is quite a long breakdown.

Mr. BYRNE: Are these construction or operating subsidies?

Mr. BURTON: These were cash subsidies for construction, also expenditures by governments on lines which were turned over to the Canadian Pacific

Railway Company, such as some of the initial lines; Kamloops to Port Moody and Winnipeg to Lake Superior section of the original construction. The total amount calculated given by federal, provincial and municipal governments comes to the \$106 million as I quoted. I could show you the table, just for your reference.

Mr. BYRNE: I wanted to understand that it was construction costs not operating costs.

Mr. BURTON: No.

Mr. BYRNE: And the land grants of \$43 million include the \$25 million original and others that were obtained through take-over of other rail lines.

Mr. BURTON: Gas, fire and other lease lines.

Mr. CARTER: On a point of order, Mr. Chairman, is there a date attached to that document so we could look it up?

Mr. BURTON: It is entitled Canadian Pacific Railway Company 1923-1964, Dominion Bureau of Statistics publication No. 52-202.

The VICE-CHAIRMAN: Gentlemen, I have two more speakers and it is a quarter to six and I believe that the Committee knows we are all invited tonight by the city of Moose Jaw for supper at six o'clock and if it is the wish of the Committee we could adjourn at six o'clock and before adjourning we could finish with Mr. Burton. Is it the wish of the Committee?

Agreed, agreed.

Mr. ANDRAS: My question arose out of your answer to Mr. Byrne's comment on the present promotional efforts of the Canadian National Railway which we have all heard about and we all see in the newspapers and in every other way, including the report of the Canadian National Railway, this one here. Your answer implied that because we do not know yet what the final deficit that will be produced, at least we have not got the figure, it is in some way experimental at this stage. You said, I believe, that often in the beginning of a new program, you have to perhaps bear some additional expenses and you do not know for sure how far it is going to go before you are finished. The Canadian Pacific Railway in their brief indicated that they perhaps had done this same sort of thing themselves in the fifties; that is, a full consist "Dominion" with fare-saver plan, I think, they called it, in their terms, which was a very low rate of rail travel on the Canadian Pacific railway; much lower than competition and so on and that they built up a fair demand and a fair traffic, but in spite of all these efforts in the late fifties, their traffic started to fall off. They claim that this was when the downgrading took place; that the passengers had deserted the railways rather than vice versa. What is your comment on that?

Mr. BURTON: Well I would comment that during this period the CPR also abandoned a good number of its feeder line runs; even though some feeder line runs may be operated at a loss, I think they are quite important to the successful operation of the main line run because they help to produce additional business for the main line. I cannot comment too much in terms of the CPR's comments on their decision to downgrade these trains in the late fifties, except that I think I have heard as well as other people, many complaints

about the standards of service offered in terms of getting reservations, service offered on trains, and so on.

With regard to your comments on the CNR, I would point out as you may have noticed already, that the CNR has indicated in its 1965 annual report, that they have now carried on this program for a sufficient length of time, they can make some assessment of it, they will be making some adjustment, and they have found, in fact, that there are a good many areas in which they can operate quite successfully. This is the import of their remarks and outlook.

Mr. ANDRAS: Thank you. One more question and I may have missed your answer to this although it may not have come in the exact form. You mentioned you felt there is a need for both transcontinental passenger train service additional to what exists, and improvement of local service; which would you give priority under these present day conditions?

Mr. BURTON: I indicated there is presently a transcontinental service. I am not here to say whether there should be one, two, three or four trains of that nature, but I do feel definitely, that what is absent is a good local service and this in part is what the complaints about the "Dominion" were. It did provide an element of local service here in the province of Saskatchewan. I feel this is the first need right now in terms of improvement of service. Beyond that, I think that transcontinental service might be improved as business is secured and I am confident that business can be secured.

Mr. PASCOE: Mr. Chairman, I am just going to ask one question for information. On page 3, it says, "I cannot accept the CPR's pessimism about future passenger prospects" and on the next page, it says, "it has been stressed that a relatively small increase in this figure" and, I guess, it refers to inter-city passenger miles travelled, "a small increase would place passenger operations on a sound economic basis" and that is the very thing we are trying to find out in this Committee. I would like to know the factual source of that statement.

● (5.52 p.m.)

Mr. BURTON: I could not give you an immediate reference on it but I have seen the statement made or quoted in press reports and other places on several occasions in the past by railway officials, where they pointed out, I believe, if they could increase the level of patronage and 5 per cent of inter-city passenger miles to some 10 per cent; that they could operate on a sound basis. Now, possibly conditions have changed today. I would not be in a position to say.

Mr. PASCOE: That is a very interesting argument if it is true, but we are trying to find the very reason for it. I would like to pin him down more definitely.

Mr. BURTON: Well, I could search for an answer for that but I know I have seen the statement made in the past by railway officials.

Mr. OLSON: Mr. Burton, you made a statement that rather surprised me in response to two questions. You said when asked the question, whether there should be one, two, three or whatever number of transcontinental trains, that this should be left to the CPR to decide how much facilities and accommodations would be necessary to meet the public demand. Is this a correct interpretation of what I think I heard you say.

Mr. BURTON: You are suggesting that the quantity of service is definitely a matter of mechanics and there should be some areas of railway discretion in this regard.

Mr. OLSON: Is that exactly what the CPR are doing now, and they decide when one train a day is enough for us.

Mr. BURTON: Well, I have indicated that I am not necessarily arguing whether there should be one or more passenger trains of a transcontinental nature, but I felt that the immediate need was for a good local service. This I feel is essential and should be made mandatory. Beyond that, of course, I presented in my argument here the suggestion that the CPR could considerably increase its over-all level of passenger business.

Mr. OLSON: Are there any other bodies that ought to have something to say about whether there should be one, two or three trains a day, other than the company.

Mr. BURTON: I was presuming when I said that that the Board of Transport Commissioners still retains authority.

Mr. BOULANGER: Can I ask a supplementary question?

The VICE-CHAIRMAN: Well, I think we are getting away from supplementary questions, Mr. Boulanger. Order, order. Mr. Sherman had the floor.

Mr. SHERMAN: I just had one question, Mr. Chairman. Mr. Burton, one statement in your brief disturbs me or exercises me somewhat. It is on page 7, where you say that failing all else, if everything else proves unsatisfactory you would advocate that consideration should be given to the nationalization of the CPR with one qualification. Nationalization with compensation only after full account is taken of the awards, benefits and so on that had been granted to the CPR throughout its history.

Are you suggesting that under a process of nationalization the company should not be purchased from its present shareholders at the going rate of shares on the market?

Mr. BURTON: I think some of this should be subject to negotiation. Certainly, I feel that the present price of shares on the market, or the price of shares any time, does take account of the awards, benefits and requisites that have been granted to the company in the past. I feel that in settling on this compensation under the situation of nationalization that an account should be taken of those awards.

Mr. BOULANGER: With regard to the question Mr. Olson asked you, you said you did not care too much about the transcontinental system of it, but the main problem was local. You are more interested in local arrangement than better service. Is that it?

Mr. BURTON: I think I indicated that the service that is completely absent now is a local service.

Mr. BOULANGER: Then why at the last of your brief do you say you should nationalize? Why should you ask the population of all the provinces of Canada to pay for all that if you are really more interested in the local problem to be settled than in a transcontinental service. What would be your main argument then to try and have the CPR nationalized?

Mr. BURTON: What I am suggesting here, Mr. Chairman, is that this Committee or other bodies of authority might come to certain decisions about what over-all policies should apply in the field of railway transport service. In fact, railways, and this applies in many other fields too, may carry these commitments out to the letter of the law, but nevertheless not carry it out to the full spirit of what is requested and required. Certainly, they could put on a local passenger train and set it up and say here it is for people to use, but if they do not make people aware of the service that is available, make sure that individuals' specific needs can be met and looked after, if they do not have some of the supplementary additional services that go with train travel—food services is one matter that has been mentioned from time to time and all of these other supplementary services and activities—then certainly it is almost a foregone conclusion that such an operation would not be a success. And I am suggesting that if, in fact, the railway did try to subvert or pervert the requests and requirements of the people of Canada, in providing these and other services, then I feel we have to give very serious consideration to nationalization.

The VICE-CHAIRMAN: Any other questions, gentlemen?

Mr. BELL (*Saint John-Albert*): Mr. Chairman, I have a question. This is from the CPR presentation, and I think it may bring out the difference of opinion that a person like yourself, Mr. Burton, might have with the Company. At page 38 of the presentation of the Canadian Pacific, they are talking about the perpetuation of passenger services which they say are no longer patronized and they say "this is most certainly a misallocation of transportation resources for which there is no justification and it results in a disservice to the interests of the Canadian people. The Canadian people should not be expected to pay for passenger services for which there is no longer a need and Canadians have a right to look to a company, such as Canadian Pacific, for protection against misallocation of their resources". I know you do not agree with that but I wonder if you have any further comments.

Mr. BURTON: Well, all I would say on that, Mr. Chairman, is that there is an element of misallocation of resources if these facilities are not used. I think the CPR is guilty of misallocation of its resources if it does not take the necessary additional steps which would in fact produce extra business to make this a reasonable paying operation.

Mr. BELL (*Saint John-Albert*): You also agree that we have a responsibility to direct the passenger public to the most economic method of travel.

Mr. BURTON: This is one element that should enter into consideration.

Mr. BELL (*Saint John-Albert*): Thank you.

Mr. REID: One very short question. Mr. Burton, would you say that the type of merchandising program you are describing would be similar to the one that Canadian Pacific undertook in 1955-56 when they introduced the present "Canadian" consist, and again in 1961 when they drastically lowered fares with a powerful advertising campaign to try and sell this service?

Some of them are suggesting that they have already made this attempt twice.

Mr. BURTON: I would suggest that some of the things that would be done then would certainly be part of such a program. But I think such a program also

involves going out to people directly, not just through newspaper ads or through posters on the wall or such means. These serve their purpose, but actually going to people and dealing with people, and dealing with people in terms of their needs and I gave this one very concrete example, I believe, while you were out. The fact that one particular request last year where there is possibly a large group involved, possibly a group of 100 people or more, who could have been involved, that they were not willing to give the group fare reduction, and this is a type of rigidity that I think should be examined, and should be changed to make an operation successful.

The VICE-CHAIRMAN: Gentlemen, that is the conclusion of the questioning on this particular brief as presented by Mr. Burton. Mr. Burton, I want to thank you for presenting the brief and answering the questions as put forward. Thank you very much.

Gentlemen, it is time for adjourning but, I believe we do have left the following briefs, Mr. E. I. Wood, Saskatchewan Farmers' Union, Regina C.C.F., Metro Council, Messrs. Snyder and Davies, members of the Saskatchewan legislature of Moose Jaw city and the Saskatchewan Progressive Conservative Party. We will adjourn until eight o'clock.

The order of hearing these briefs will be as follows as had been agreed upon by the Committee: Mr. E. I. Wood, The Saskatchewan Farmers' Union, Regina C.C.F., Metro Council, Messrs. Davies and Snyder, and Mr. Blakeney on behalf of five M.L.A.'s. They are the final briefs that will be heard at eight o'clock this evening.

Copies of the briefs will be distributed to all members before we adjourn. We will adjourn until eight o'clock.

EVENING SITTING

WEDNESDAY May 11, 1966.

● (8.03 p.m.)

The CHAIRMAN: There is a quorum; we will continue. There was some discussion by this Committee earlier on the presentation of Mr. J. S. Burton, when I was not here. He presented the brief in his individual capacity, and the Committee had been under the impression it would be a brief from the Office of the Leader of the Opposition of this province. However, I want to bring to the attention of the Committee that this is not the case and that Mr. Burton was presenting his brief on behalf of himself and several members of the Saskatchewan legislature from the City of Regina.

The correspondence we received from Mr. Burton was to that effect but he was presenting it, I gather on his own behalf. Is that right, Mr. Burton.

Mr. BURTON: Yes.

The CHAIRMAN: Well, we have the letter from the others, but you can understand there was some thinking, that your brief was going to be presented on behalf of the leader of the opposition, whereas you presented it on your own behalf and not on his behalf.

We have in the order in which they were received by us, first, Mr. E. I. Wood, MLA for Swift Current. Is this an oral presentation, Mr. Wood.

Mr. WOOD: I am sorry, Mr. Chairman, I must apologize to the Committee. I did not anticipate how many there would be. I brought half a dozen copies and I do not have enough.

The CHAIRMAN: That is all right, we will take whatever you have—in order to have a copy for our clerk.

Mr. WOOD: There were a half dozen of them. Someone must have them. I must apologize.

The CHAIRMAN: All right, Mr. Wood, would you start please.

Mr. E. I. WOOD (*M.L.A. for Swift Current*): Mr. Chairman, members of the Committee I will jump right in and get my feet wet in this thing. One of the first things to be taken into consideration in approaching the subject of the discontinuance of the passenger train known as the "Dominion" is the responsibility of the CPR to provide services.

The company would apparently like to belittle the size of the grants that were given them but \$25 million a sizeable piece of cash in 1881 and at 5 per cent compound interest only, would amount to over a billion dollars today and I think the CPR has managed to make at least interest on their money. Twenty-five million acres of land, including minerals whether sold at prevailing prices of land rush days or retained until the present time would be well worth several billion. Responsibility to provide services in view of gifts such as these is something that cannot be lightly shrugged off, to say nothing of the scores of millions of dollars that have been granted since these subsidies.

However, after stressing the responsibility of the CPR to live up to the terms of its original contract, I would not insist that it is proper that they should maintain a service that is both unprofitable and unnecessary. The transportation picture has changed a great deal in Canada, and in especially in our part of it since 1880 and it would be ridiculous to insist upon the retention of a redundant service replaced by other means of transportation and unused, just because we have a right to do so.

However, it has not been proven to my satisfaction that the operation of the "Dominion" was unnecessary. While travelling by train does not have the mobility of going by bus or the speed of air travel, it does have elements of convenience, comfort, speed and safety that the others do not equally share. Canada needs an adequate system of passenger train service, and it is needed just as much in those areas and in those cities served by the CPR as in those places served by the Canadian National.

We need tourists in this country if we are to come anywhere near to keeping our balance of payments under control, and an efficient and comfortable travel system is necessary to attract them. I even noted in the daily paper the other day, a letter charging that part of the reason the Olympic games were not awarded to Canada was our lack in this regard. When our national economy is going forward is not the time for cutting back our travel service.

It has been pointed out that we still have the "Canadian" and this is adequate to take care of all demands for travel by rail on the CPR main line. There are some serious arguments against this.

When you have only one train travelling across the country the size of Canada, it will be necessary for it to be going to parts of the country at undesirable hours. For instance, the Canadian leaves for the east from Swift Current for the more delectable cities on its routes at 12:43 am, when it is on time. This is not a satisfactory hour and certainly not conducive to added use of the travel system for anyone going to such places as Moose Jaw or Regina. I may say gentlemen, without any apology really, that I came by car to this hearing this morning. I thought it was quite desirable that attending a hearing of this kind that you would travel by train, and I gave the thing some thought. But I just did not have the time or the money to take the train last night at half past twelve and come down here and stay overnight, and attend this hearing and go back on the train not tomorrow—yes, tomorrow morning I could possibly get the train back again to Swift Current. I would have to spend two nights here in Moose Jaw in order to make the trip. This is the service we now have in regard to the "Canadian".

In order to provide a daytime service throughout it is necessary to have more than one train. A modern economy needs more than one opportunity per day to move between points. For train travel to stay in the picture at all, it must provide this.

Also, just how unprofitable has this service been and why. I realize that in their presentation to the Board of Transport Commissioners, the railway company presented a maze of figures that indicated that their loss in their operation of this train run into several million dollars annually. I note that the board discounted this claim substantially but still considered the loss to be sufficient for them to allow the discontinuance of the service.

I am certainly in no position to argue the correctness of their figures. Indeed the story of the passenger train operation of the CPR over the past few years makes very dreary reading, with reduction of service follow reduction of patronage until it is hard to tell which came first, with the whole adding up to a good deal of red ink in the company's ledgers. But, are these in themselves sufficient reason to deprive our country, and in particular this province, of adequate passenger train facilities. It would appear to me that the Board of Transport Commissioners have brought in a ruling before all the evidence is in.

For instance, while the CPR is given permission to reduce its services because of losses, the Canadian National has what is apparently a profitable program of promoting theirs. It is probably too early to say what the outcome will be. But why should the CPR be able to insist that this service is going to be a failure and be allowed to discontinue the "Dominion".

British railways are making valid claims that they are able to move passengers from city centre to city centre faster than the planes. In Japan their crack new trains are providing swift travel between their major cities and a number of passengers carried is on the upswing.

Is the attitude of the CPR towards passenger travel a result of financial losses sustained, or is the reverse true? It is quite clear that for some time they have not actually fostered travel on their trains.

It is true that the railways are in serious competition for passengers with automobile, bus and air travel. But as a private company the CPR must believe in competition and must be prepared to get in there and fight for their share of the traffic. They have many things in their favour to assist them in this contest. But it appears to me that a large part of the reason that the CPR finds itself being left on the side lines is their lack of trying to encourage the use of their train. Your Committee has already heard instances of would-be passengers having been refused accommodations when the trains were far from being full. The record shows that on their own admission the CPR has ceased to solicit tour travel from the U.S.A., in spite of this country's real need for the exchange. The cutting of station personnel so that what trains are now left are only partially serviced surely cannot help the picture.

Mr. Chairman, I submit that if the Canadian Pacific Railway were to endeavour to make the service efficient and attractive, and to aggressively advertise their product, they could still be in a fairly sound financial position in regard to the now discontinued "Dominion". I am not going to suggest that the losses on passenger train service should be charged up to the people of Canada or carried by other parts of the railway business such as freight rates. The grain growers of western Canada or other freight shippers are not the ones to carry this added load. While I am on the subject of grain shipment, let me say that I do not—

The CHAIRMAN: Just a moment please, Mr. Wood. We have been very strict in our discussions in this Committee as to grain. Will you bypass whatever you have to say on the shipment of grain. We will deal with that at another hearing. We would appreciate it because no questions will be allowed on it anyway.

Mr. WOOD: This has to do with the engines on the "Dominion" that I am talking about here. I think that is fair game, is it not.

The CHAIRMAN: Just a moment. Let me take a look at this paragraph. Fine. go ahead.

Mr. WOOD: While I am on the subject of grain shipments let me say that I do not consider the need for locomotives to haul our wheat as a valid factor in the discontinuance of the "Dominion". While it is possibly true that these engines were more urgently needed for transportation of grain, this was a very temporary factor caused by poor management on the part of the railroad, and certainly no reason to permanently discontinue a needed passenger service.

In regard to losses sustained due to the continuation of the "Dominion" I do maintain that if the company diligently endeavoured to build up its passenger business, these losses would be of a minor nature, and one that the Company could certainly be expected to sustain in view of the huge financial empire they have built up as a result of the remuneration given them by the Canadian government in return for their commitment to maintain adequate services. But the CPR is apparently more engrossed in the balance sheet than they are with providing transportation for the people of Canada. This need come as no

surprise. It is a private enterprise organization, oriented towards profits rather than service. "You can lead a horse to water but you can not make it drink." It would be well nigh impossible to force a company to operate a viable passenger transportation system if they did not desire to do so. If we are to have such in that part of our country served by the CPR main line, we may have to give serious consideration to nationalization. There are, indeed, some indications that the CPR itself would not be averse to turning over not only its passenger carrying services, but all its railway facilities.

I would like to make it clear that while I would advocate such a transaction, it would only be on the basis that the grants made by the government be taken into consideration, not in regard to their original amount but rather concerning the value to which these sums would have accrued up to the present time. While we may not find it necessary to have the government of Canada take over the Canadian Pacific Railway, I certainly believe that we should take a long hard look at this transportation picture in all its aspects. While it is true that we have and will continue to have, competition to rail travel from buses, airplanes and automobiles, could there not be more regulation in regard to fares that may or must be charged and elimination of competing bus and train schedules at nearly identical times.

Are we here considering only the discontinuation of the "Dominion", or do we not also have strong fears that the "Canadian" will soon follow. There are indeed many straws in the wind that would indicate this. Can it indeed continue with the reduction of agent and station facilities which are now offered the travelling public. I believe that you, as members of the Canadian Parliament, should not only make strong representation that the former minimum service of two trains should be maintained, but also should be on your guard to see that this part of Canada is not deprived of rail passenger service altogether.

I realize that all you have before you at the present time is the matter of the discontinuation of the "Dominion", but as a provincial member for the constituency of Swift Current I cannot but be interested in the ultimate fate of three CPR branch lines which I understand are slated for removal in that area. Along with a review of our passenger transportation services, I believe that a study in depth as to the effects of rail line abandonment upon the farmers, business people and others of our country should be given consideration before any legislation is passed allowing the taking up of these rails.

Mr. Chairman, the things which I have said do not stem from any deep-seated animosity towards the CPR. Through the years I have a good deal of respect for this company and have found its employees to be obliging and courteous. However, I believe that being a profit motivated concern, it is following what it considers to be the dictates of sound business practices without giving due consideration to the needs of the country it serves. I maintain that diligent application along the lines of the latter principle could indeed be equally remunerative.

The city of Swift Current and its surrounding district has through the years been served by the CPR. There have at times, of course, been complaints with this service, but we have depended upon it for much vital transportation.

Like other Canadian centres along the route of the railway, we are entitled to this service. I believe that if proper and well advertised facilities were to be provided at competitive rates, we would use these facilities even more than we have in the past.

I would like to thank you sincerely for this opportunity to express my views on what I believe to be an important subject.

The CHAIRMAN: Thank you very much Mr. Wood. I would like to commend you on a well thought out and prepared brief apart from some certain statements with respect to grants, line abandonment, and so on. I am sure you are aware that this topic of branch line abandonment was discussed last year with Bill C-120 which is dead, of course. We will be discussing it in the very near future, with the new branch line policy, and you will probably be given the opportunity at that time to make your thoughts fully known on that topic. Any questions Mr. Byrne.

Mr. BYRNE: Mr. Wood, could you tell me in what way the grain growers of western Canada might conceivably be required to make up the deficit—I haven't your very words—

Mr. WOOD: Yes, I am sorry as I say, for not having enough copies of the brief. Well, when the—I believe it was the MacPherson Commission Report was brought in, there was some discussion that there would be changes made in the rate structure to take care of deficits that the CPR was running into, and I believe it was brought out forcibly by the pool people that deficits that were occurring in the rate structure of CPR were not due to the Crowsnest Pass rates, but rather to the railway passenger train losses, and they were very insistent that the losses of the passenger service should not be used as a reason for hiking the rates on the wheat. I want to squelch the idea from the start that I am considering any raise in the Crowsnest Pass rate in order to pick up any losses in regard to the passenger service.

Mr. BYRNE: In regard to statutory rates that there was no recommendation. The recommendation in the MacPherson Report was that any losses should be made up by the general revenue.

Mr. WOOD: Yes, and—

Mr. BYRNE: And the suggestion that the Crowsnest rates be—

Mr. WOOD: I believe, the Crowsnest rates did come under a good deal of pressure at that time, and the—

Mr. BYRNE: You said that in the event of expropriation that not only the \$25 million dollars were given to the CPR but the money that they had made subsequently aside, should be expropriated first, and without payment, then we would take over the value of the rail—

Mr. WOOD: Yes, but I do not think we talked about \$25 million. This \$25 million—

Mr. BYRNE: What would you estimate it to be.

Mr. WOOD: Well, I gave you a rough idea here that the 5 per cent interest compound, I believe the money will double in about fifteen years, and the money has had an opportunity to double about five times and you add this up and I think.

Mr. BYRNE: This money, of course, was used to construct the railroad.

Mr. WOOD: Yes, but I am assuming that they were making at least simple interest on the—

Mr. BYRNE: What would you estimate this to be worth?

Mr. WOOD: I said a billion dollars.

Mr. BYRNE: It is your conception that the Canadian Pacific Railway have now a billion dollars to which they are not entitled. Why should we not expropriate that now. Why—

Mr. WOOD: I would not say—

Mr. BYRNE: Why wait for expropriation—

Mr. WOOD: I would not say they are not entitled to it because it was in the deal at the time. I think they are quite entitled to it as long as they keep up their side of the bargain.

Mr. BYRNE: When we decide to expropriate, then we set aside the billion dollars—

Mr. WOOD: You have to start talking about it. Someone said earlier here today that they would have to do a little negotiating.

If they have something they are not entitled to then we should do it now.

Mr. BYRNE: Do you say they have something they are not entitled to?

Mr. WOOD: I think they are perfectly entitled to it. This was in the bargain. This was given; as long as they keep up their side of the bargain we have no hold whatsoever on this money.

Mr. PASCOE: I think I have just one more question on this. Its just a very direct question. Would you think having the "Dominion" or a day liner service what you were talking about before in this local traffic between Calgary and Winnipeg it would probably help to feed the Canadian at these places? Which would you sooner have; which do you think would serve the purpose best?

Mr. WOOD: Well, I do not know as I am prepared to say my "druthers" in regard to this but I think that there is a lack of service and if this service could be supplied satisfactorily with a local train going through—a day liner, for instance, in order to supplement the Canadian, I think this would be a satisfactory arrangement.

Mr. PASCOE: You mention reservations in one place here. Have you heard many complaints that people cannot get reservations?

Mr. WOOD: Not a great deal but I have run across some. I am not well versed in this issue of it but I believe I mentioned that I had read the report of some of your hearings before and these had been brought before you earlier.

Mr. CARTER: Mr. Wood, if I heard you correctly I think I have heard something new. Did I understand you to say that there are some indications that the CP would not be averse to nationalization of the freight train services.

Mr. WOOD: I have got that underlined in red.

Mr. CARTER: As well as passenger service?

Mr. WOOD: I am afraid I cannot put this down in black and white because it is a matter of rumour.

Mr. CARTER: Did you say there were indications or just rumours of it?

Mr. WOOD: I believe I did say indications. Is a rumour an indication?

Mr. CARTER: If there are indications I would like you to list some of them, you know.

Mr. WOOD: I am sorry. I am not able to do that.

The CHAIRMAN: Well, on that Mr. Wood, I can assure you that from our investigations you can definitely state that they are not interested in turning over any freight services or anything else to do with the rail line.

Mr. WOOD: Very good.

The CHAIRMAN: On page 3 of your brief you mention this Japan train. Are you familiar with the Japanese train, the Tokyo-Tasaka train which has been referred to.

Mr. WOOD: Well, only what I have read in *Time* magazine.

The CHAIRMAN: Any further questions? Well thank you, Mr. Wood. This was a well prepared and detailed brief and we appreciate your coming. Sorry you had to wait so long to present it. Thank you very much, sir.

We have a very very short one here that is not to be read, but perhaps we can deal with it right away. It is the Regina CCF Metro Council brief. I would like a motion respecting it. Who will be presenting this brief?

I understand it's not to be read. It just has to be printed as an appendix. There is no presentation. May I have a motion? Moved by Mr. Lessard seconded by Mr. Southam that the brief from the Regina CCF Metro Council be printed as an appendix to the *Minutes of Proceedings and Evidence*.

Mr. OLSON: Mr. Chairman, before the motion is voted on, have we got copies of it? I do not seem to have a copy of it.

The CHAIRMAN: Well, I recall that they were distributed.

Mr. OLSON: No, we have not got any.

The CHAIRMAN: I am sorry, gentlemen, I thought it had been distributed because we had been supplied with them. G. A. Daverne, is the president. There is no one to question on this one.

Mr. OLSON: This is going to be printed as an appendix.

The CHAIRMAN: Yes, we have a motion.

Mr. OLSON: It is not going to be printed as having been read.

The CHAIRMAN: No, as an appendix to our *Minutes of Proceedings and Evidence*.

Motion agreed to.

Next is a brief from the Saskatchewan Farmers' Union. Mr. Knelson I believe. Is he here? Have you copies of your brief? It is an oral submission. Mr.

J. R. Knelson, Secretary of the Moose Jaw local of the Saskatchewan Farmers' Union, director of subdistrict 6 of District 4.

Mr. J. R. KNELSON (*Secretary, Moose Jaw Local, Sask. Farmers' Union*): Mr. Chairman, gentleman, we have decided not to present a written brief because we realize that you have had this one and our presentation is just to let you gentlemen know that you have not been forgotten by the farmers.

The CHAIRMAN: When you say "this one" you are referring, Mr. Knelson, to the National Farmers' Union brief that we heard in April.

Mr. KNELSON: That is correct. But we have a few comments and excerpts from a book published by the Canadian Pacific. This is to inform you that locally we endorse the brief as presented in April by the National Farmers' Union on the principles of the national transportation policy. We believe that this type of policy would be the most effective system to the people of Saskatchewan and Canada both in terms of economics and social needs. If it was uneconomic there would be no question of who would pick up the tab.

● (8.30 p.m.)

A national transportation policy could solve problems of travel connections in rail lines: speaking of rail lines we would refer to rail connections and this would be travel connections. This would solve our problem both in local travel, that is in provincial and long distance, or inter-provincial travel.

Much has been said about not using railway transportation, and we believe fully that this is because of lack of connections. We have found that we have not been able to use the railways to many of our conventions, etcetera. To make such a policy effective it would be necessary to have this type of hearing to find out the needs of the services required. This possibly would solve at least part of the tourist problems also. It would do away with the piece-meal type of transportation and financing.

I was in touch with Saskatoon this morning and they gave me some figures on the cost of transportation on the CN and CP. A CPR one-way ticket from Vancouver to Ottawa, lower berth, less meals, \$95.00. CNR Vancouver to Ottawa, lower berth, plus meals, \$72.00. That is red days; white days \$82.00 plus meals; blue days \$86.00. Meals would run around \$7.00 to \$8.00 a day minimum with meals approximately \$3.50 to \$5.00. I believe this was checked out, and including meals and other expenses it would be almost as cheap to fly.

In connection with this, I would say that if I were a government official or on government business, where there is an expense account I could save the people of Canada some money by travelling CN.

It has been suggested that the CPR has downgraded their services so that they would be allowed to continue with their passenger service. Now, with regard to past attitudes I would refer to this book "Canadian Pacific Facts and Figures" compiled and edited by general publicity department, Canadian Pacific foundation library copyright 1937, by the Canadian Pacific Railway Company. Turning to page 61— I just intend to read a few brief excerpts here.

"It was found early that in order to encourage travel there should be a close contact between the carrier and the prospective passenger, and so the travelling passenger agent came into being. His is the interesting,

though at times, arduous task of selling his company's service and facilities to the public, or assisting the local agent to close the deal. He must carry the gospel of agents and representatives of other railways and transportation companies who may have for solution the transportation problems of a large local clientele, extending beyond the reach of the lines which they represent.

This then means that other lines must be brought into the transaction to complete the travel package which the passenger desires to purchase."

Going to page 61, we find:

"almost from the beginning the new transcontinental route held special interest for the tourist, and that interest is developed to the extent of including visitors from all parts of the world, intent on seeing for themselves the beauties of Canada and in particular the majestic grandeur of the Canadian Rockies, first made possible by the facility of the company's line. This tourist interest was fostered by the Canadian Pacific in establishment of hotels in Banff and Vancouver in 1887, to overcome the lack of suitable accommodations, the beginning of the present chain of hotels across Canada".

So the CPR through the use of public funds in assisting to build this railway, has found that the hotel business was very profitable. I would refer this book as almost required reading, as it may be suggested it comes right from the horse's mouth, which, I would suggest, they would not care to dispute.

Page 63,

bargain excursion has done much to bring to the railway a return of traffic which has drifted away, and to create in the non-travelling public a travel desire. Too, there has been additional employment of equipment and men, with consequent benefits.

This is something that was inquired about this afternoon.

The bargain excursions of the Canadian railway which commenced in a small experimental manner, are now in operation across the country, following more or less regular weekend periods for the shorter distances."

Turning to page 70,

It may be noticed that pullman cars are sometimes operated over Canadian Pacific lines. This is done in order to provide convenience to the travelling public, in a matter of through accommodations.

This, I believe, would lend some emphasis to our policy of a national railway—our national transportation policy.

For example, between Montreal, and Chicago, a Canadian Pacific car runs into the Michigan Central lines from Detroit to Chicago, which railroad has a contract with the Pullman company to give sleeping car service on their lines and rather than break their car line at Detroit and cause the transfer of passengers from one to another, the service is worked out on equalization basis, the Canadian Pacific car running right

through to Chicago and the Pullman car through to Montreal. The Canadian Pacific retain the earnings of the Pullman car while it is in the Canadian Pacific territory, and the Pullman car retains the earnings in the Canadian Pacific car while it is in their territory, the expense being borne by the owner of the car and equalized by the company which has the shorter portion of the trip, putting in the lesser number of cars.

Then with reference to dining cars—and I think that this is another point in the suggestion that the railway must be prepared to bear loss in one segment if it is making good profits in another.

There is a difference in the method of recording the financial operations of dining and sleeping cars inasmuch as all sleeping cars are considered in the aggregate in the operation of the service; whereas each dining car is treated as a separate unit, like one store in a chain of restaurants."

Turning to page 71 we find:

The traffic officers all over the continent know that a satisfactory dining car service at comparatively low prices must be given if people are to be encouraged to travel by railway; and every road on the American continent suffers yearly losses in the operation of their dining cars, some running as high as 75 cents loss on every dollar taken in as revenue.

The national transportation policy, if brought in shortly, would solve some of the problems that some of the gentlemen were concerned about at Expo '67, Calgary Stampede and Pan American Games.

I now turn to the nationalization of the CPR. If the CPR is not nationalized, we will lose services of this railway as we now know it. If some services are continued through pressure, then I, the taxpayer, will necessarily pick up the tab. Mr. Lloyd pointed out that figures could be presented for different purposes; therefore, nationalized systems would be more dependable in making a cost survey. They would not have that reason to use these figures in undesirable ways. This would be considered a more honest use of the taxpayer's money. Maybe we need a more honest group of officials in the CN.

We consider transportation as a necessary and as a social service, rather than a primary profit making industry; especially when it is to a large extent governed or controlled by outside interest.

The question of economics in terms of subsidies: Alternative systems may be more expensive to the society as a whole, and to the taxpayer in particular. Possibly it would be cheaper to maintain the present system than to build or rebuild our road system. Our cities mentioned here, and it has been said they should subsidize their transportation services. What other system could be devised whereby no subsidy would be involved that would cost the taxpayer less money in the long run? I had a little talk with a soap salesman today, and he suggested that certain soaps were cheaper because they did the job faster, and I asked him, does it also do away with the clothes faster, which was a reasonable assumption. This could also be used as an example of which is the cheapest. Thank you gentlemen.

The CHAIRMAN: Mr. Knelson, I was very interested in the booklet you brought forward. Would you say that railroading has changed in the thirty years since that book has been published?

Mr. KNELSON: I would say, yes. I would say their attitudes have changed considerably, and in the light of some of our problems today—

The CHAIRMAN: No, no, I am saying railroading in this country, their operation.

Mr. KNELSON: Yes, I would think so, and that is why we suggest a nationalized transportation system to tie these all together.

Mr. REID: Mr. Knelson, I am trying to clear up a point. When I mentioned the remark about the CNR I did not mean they were dishonest, all I meant was that we get so many figures, and they mean so many things, that it is very difficult to interpret them. There is one case on record when the president of the CNR Mr. Gordon said that even he did not understand the type of analysis that the experts were making of the costs of it. I did not mean anything else.

Now, the second question I have to ask is, do you know how long it takes to go from Ottawa to Vancouver—that was the example you used—by rail?

Mr. KNELSON: I think it is about, what two, two and half to three days?

Mr. REID: Well, if you had a high government official travelling this way, it would take him this much time; he can fly it in eight hours, and if he is worth anything, well it would be terribly expensive to send him by train because we would not be getting any value out of him. So the point I wanted to make is that you have to take advantage of type of transportation facilities available.

Mr. KNELSON: This is correct. I believe this was included in their thinking; but to give you my point here, I would ask you this question: How much longer would it take to travel by CN than by CP?

Mr. REID: It is about the same. There are about the same—

Mr. KNELSON: They are the same. There is where the saving would be.

Mr. REID: If of course you could get on the "Canadian".

Mr. OLSON: Mr. Knelson, I was very interested in this book that you quoted from, that was published by the CPR, and I want to commend you for bringing this to the attention of the Committee, because certainly from the quotation you made, there must have been one time, and particularly in 1937, when the CPR, as a corporation, encouraged their employees to encourage passenger service. I think that is a fair statement, is it not? Do you know of their having done any kind of promotional work like this since 1937?

Mr. KNELSON: Not in the days I have been active in this type of work.

Mr. OLSON: I suppose that the horse's mouth might have something different to say today.

Mr. KNELSON: That is why I suggested looking further into the horse's mouth.

Mr. O'KEEFE: Mr. Chairman, Mr. Knelson, I could be wrong, but I understood you to say that the CPR is controlled by outside interests?

Mr. KNELSON: I would not say controlled, but there are certain outside interests, capital—

Mr. O'KEEFE: Did you not use the word "control"?

Mr. KNELSON: Yes, to some extent.

Mr. O'KEEFE: To what extent? Would you indicate what those interests are?

Mr. KNELSON: The holding of shares, and I would suggest that this could be interpreted further into the running—you ask to what extent? I would say to this extent, that it would make one uneasy when one realizes how necessary this transportation is to our society.

Mr. O'KEEFE: Could you tell me the percentage of the shareholders that are outside Canada?

Mr. KNELSON: I have not those figures with me.

Mr. O'KEEFE: I may not be right about this either, but my information is that 51 per cent of them are Canadians. So it cannot be controlled by outside interests.

Mr. KNELSON: Not to—

Mr. O'KEEFE: Not to any great extent?

Mr. KNELSON: Not to any great extent possibly, as we would suggest that I was just wondering if there would be any comparison with the government in Ottawa. We have five different parties.

Mr. CARON: In the dining car you are losing money, and you said up to 75 cents per dollar. Do you think that on the train as on the plane they could have the one meal which is served to people at their place, instead of having a dining car? This would save a lot of money.

Mr. KNELSON: Yes, and here the committee we are suggesting, would possibly meet with the people and find out the needs for these services the same as for transportation itself.

Mr. CARON: What do you think it would mean in terms of money for the CPR or CNR or any transportation corporation. Would you think they would have a loss on this?

Mr. KNELSON: A loss?

Mr. CARON: Yes; one regular meal served to everyone.

Mr. KNELSON: No; it would encourage travel, as they suggest in their book, it would definitely mean a profit, while in itself it might be a loss.

Mr. CARON: You speak of the book, which was written in 1937. Would the conditions of travelling in 1937 be the same as in 1966.

Mr. KNELSON: No, I would say not. However, in connection with the travelling, the problem of food would possibly not have changed to a very large degree.

Mr. CARON: In 1937 there was practically no travel by air.

Mr. KNELSON: That is correct.

Mr. CARON: It was all travel by train. That is why they had more people travelling, and they could make a lot of money; they were developing that trade, but today the plane came and took over.

Mr. KNELSON: That is why we propose this nationalization of the CPR, to tie the two in, so that we would have economic travel, and yet not duplication. I feel that we would still require good rail travel for older people, and those who do not care to fly.

Mr. CARON: So you think that we should nationalize the railway?

Mr. KNELSON: Oh definitely.

Mr. BYRNE: Mr. Chairman, I am sorry that I interrupted you at one point and asked a question. You were quoting, and said that the CPR profited in their hotel arrangements due to the grants and construction and so on. Would you read that again please?

Mr. KNELSON: "Almost from the beginning"—referring to the tourist travel—"this tourist interest was fostered by the Canadian Pacific in the establishment of hotels in Banff and Vancouver, in 1887, to overcome the lack of suitable accommodation, the beginning of the present chain of hotels across Canada.

Mr. BYRNE: My question was at the point where you said the CPR had profited immeasurably from these grants, which resulted in the building of hotels, and it was at that moment that I asked if you would quote it, and you said no.

Mr. KNELSON: I am sorry I did not understand you—but I think that you will find it in this book; and I believe that we are to understand that they wish to retain the hotel business. Is that right?

Mr. BYRNE: No. Now do not get me wrong. I am saying, I asked you if you were quoting—

Mr. KNELSON: Yes.

Mr. BYRNE: —at the moment you were suggesting that profits were very substantial from the construction of hotels, which were the result of grants that were made. You said: yes—

Mr. KNELSON: I am sorry, I made that mistake, I misunderstood there; it was just at your point that I quoted, and I thought this other was understood.

Mr. BALLARD: Mr. Knelson, in the early part of the presentation, I think it was from your own notes, you made a comment and then you said, "under those circumstances there would be no doubt as to who would pick up the tab". Can you find that spot in your notes?

Mr. KNELSON: We are always referring to subsidies if required. The question was asked here several times today, if local transportation was provided, would they be willing to pick up the tab. I believe the question was asked of Mr. Grant this morning, would the Saskatchewan government be prepared to pick up the tab? It was suggested that the federal government, which I, at the time was quite in sympathy with, because I was supporting the policy of a national transportation system.

Mr. BALLARD: Well, then, when you made this comment, there would be no doubt as to who would pick up the tab, you were implying that the federal government would pick up the tab?

Mr. KNELSON: Well, yes, the taxpayer, through the federal government.

The CHAIRMAN: Well, thank you very much Mr. Knelson, we appreciate your coming forward and taking all this time to present your views. Thank you.

Now we will proceed on with the brief to be presented by Messrs W. G. Davies, and G. T. Snyder, members of the Saskatchewan legislature for Moose Jaw City. So you are Mr. Snyder.

Mr. G. T. Snyder will present the brief.

Mr. G. T. SNYDER (MLA): Mr. Chairman, and members of the committee, ladies and gentlemen, I expect there must be some real genuine advantages in presenting a brief in the eleventh hour. I expect by this time the Committee is becoming somewhat weary; but I think there are some disadvantages however, in that a number of the points which have been raised in the brief which I am to present on behalf of myself and Mr. W. G. Davies, the other member for Moose Jaw City have been touched on also at this time. But as members of the Saskatchewan legislature for the city of Moose Jaw, it is a pleasure to add our word of welcome to the city.

We wish to commend your committee and the House of Commons of Canada for the interest being taken in this very important matter of railway passenger service. The railway is of course of great importance to the city of Moose Jaw. A large number of families in Moose Jaw gain their livelihood directly from railway employment. Railway employment was greater in the past, and the brief which I am presenting suggests that a recent housing study states that some 2000 men were laid off railway work during the post war years up to 1966. And I would hasten to suggest at this time Mr. Chairman before the committee begins to question me on the brief, that the figures submitted in this brief are supplied from the community planning branch of the department of municipal affairs. I would suggest that perhaps this figure 2000 is somewhat high, but it appears in the housing report.

However, it is clear that railways will continue to play an important role in the life of Moose Jaw. This is just one reason why the people of Moose Jaw are interested in having railways which take a dynamic approach in developing operations which realize the full potential of service that might be provided to people.

Railway operations have, for the most part, been concerned with the transport of goods and people. The extent to which the transport of people is almost a thing of the past is illustrated by a comparison of railway passenger services in Moose Jaw today with the situation in former years. Passenger services at Moose Jaw in former years included:

- (1) Two main line high speed transcontinental trains.
- (2) One main line transcontinental local train. The scheduling of this train was such that it provided overnight service to Winnipeg. I hasten to add also, Mr. Chairman, that in later years, rather than being a transcontinental local train, this train terminated at Winnipeg.
- (3) One international train on the Soo line which originated in Minneapolis in St. Paul, and terminated at Moose Jaw.

(4) Local trains between Moose Jaw and Regina. Until a matter of some 10 years ago, there were six local trains which worked between Moose Jaw and Regina providing service between those two centres. These have all been discontinued.

(5) One train that ran in the northwesterly direction to Macklin. This service connected centres such as Elbow, Outlook, Rosetown, Kerrobert and Macklin; one train to Assiniboia to the south, seven other local CPR and CNR services.

By contrast today, one passenger train serves Moose Jaw. It is the "Canadian". It arrives in Moose Jaw from the east at 6:37 a.m. central standard time, from the west it arrives at 2:41 central standard time. Such service cannot be called adequate, and it is not likely to encourage greater patronage.

Any attempt to measure effective local demand for passenger services by the level of passenger patronage, on these two trains, would be completely inappropriate. True, it might measure the effective demand for the middle of the night service; but it could hardly represent total effective demand.

The question of need for, and demand for railway passenger service has been the subject of much debate. Some of the debate has been marked by a considerable amount of unreality, we suggest, on one hand, railways claim that the public has demonstrated its preference for other modes of travel. This is an unrealistic attitude. It is true that the railways no longer enjoy a monopoly in the passenger business. It is also true that the railway actions to adjust to present day conditions of competition for passenger business consisted of "too little and too late".

Railway action to counteract the trend away from rail travel, came only after a widespread attitude of disillusionment with rail travel had become fixed in the public mind. Some improvement in on-train services were made in recent years, but complaints of poor and inadequate service are common enough to warrant the suggestion that a good deal more needs to be done. Beyond that, it is necessary and possible for the railways to do a selling job in the present competitive market, and thus regain a significant amount of the passenger business.

On the one hand, some public attitudes were also unrealistic. It was assumed that certain trains had to be operated regardless of the level of patronage. We are convinced that a large number of people would make use of rail passenger service if fares were competitive, schedules were adjusted to need, and services, comfort and conveniences were improved. Some of the reasons that lead us to this conclusion include (1) the contrast between the CNR and the CPR in passenger operation: (a) the CPR has only one transcontinental train on this main line while the CNR has three. (b) the CNR has shown imagination and initiative in its passenger program. Contrast the CNR program of improved services, reduced fares, and its red, white, blue day fare plan, with the CPR program, which seems to have been largely restricted to increased fares in recent years.

(c) the most recent fare increase was reported in Moose Jaw *Times Herald* on the 2nd of May, 1966. The one way coach fare from Moose Jaw to Calgary

was increased from \$15 to \$20, an increase of some 33 per cent. From Moose Jaw to Winnipeg the increase was from \$15 to \$17.90 or 20 per cent increase.

It was also reported that the last increase in fares just about a year ago, in July of 1965, amounted to more than 50 per cent of previous fares. Such increases in fares will neither attract business nor improve the finances of the passenger operation. Such steps leave an impression with the public that the CPR is not following a logical approach in promoting passenger business.

(d) CNR fares are much more competitive. In spite of the fact that the Canadian National Railway lines are not advantageously located to provide the shortest possible route to Calgary, fares are very competitive. From Chamberlain, which is situated north of Moose Jaw, on the Regina-Saskatoon line, about 30 miles north of Moose Jaw, to Calgary by way of Saskatoon and Edmonton, the one way coach is \$12.50 on a red day, \$14.50 on a white day, \$16.00 on a blue day.

(2) While CPR passenger revenue dropped from 6 per cent in 1965, to \$31.3 million, CNR passenger revenue rose by 12.5 percent to \$58.3 million.

(3) Public concern is growing about highway accidents and highway traffic safety. A decrease in rail passenger service will tend to further aggravate this problem by increasing the volume of highway traffic. The railways are in a position, we suggest, to present rail travel as a safer means of travel than other modes of transportation.

(4) From many parts of the world we hear reports that railway programs and new innovations are being put into effect in rail passenger operations. The high speed trains in Japan, the northeast corridor project, in the United States, and the new rapid trains between Montreal and Toronto are a few notable examples to demonstrate that there remains a place for passenger operation in the railways.

While local conditions vary from those of highly urbanized areas, further experimentation and research could produce new innovations. Such an approach would require a continuation of an adequate level of passenger operation.

In conclusion, Mr. Chairman and ladies and gentlemen, we wish to reiterate our views that the railways have a definite role to play in providing passenger services. A positive program and outlook will produce results, we feel. In recent years the CNR has adopted a more positive approach, and we hope that your efforts will assist in bringing about a change in the CNR approach to passenger service.

Respectfully submitted, W. G. Davies, and G. T. Snyder of Moose Jaw City.

Mr. CHAIRMAN: Thank you, Mr. Snyder.

Mr. SALTSMAN: Mr. Snyder, I was very interested in your brief in the sense that it recognizes the changing pattern of transportation. On page 2 you outline the number of trains that have been connecting here, and the fact that many of them no longer exist. You also recognize that some attitudes may be unrealistic on both sides of the argument about either continuing or discontinuing passenger service. You state your conviction on page 3: "We are convinced that a large number of people would make use of rail passenger services if fares were competitive and schedules were adjusted to needs and service comforts and

convenience were improved." We have heard this position stated before and there has been a call today, I think, on at least two occasions for a period of experimentation, at least an opportunity of examining whether these suggestions would work in practice. Would you agree that perhaps for a period of two years the CPR should adopt a program equivalent to that of the CNR with comparable rates and services, and after this program were given an opportunity in this area, widely publicized to indicate what type of patronage might be expected from this type of effort, a realistic reassessment should take place. Would this be satisfactory approach to many of the people in this area.

● (9.00 p.m.)

Mr. SNYDER: I would think that this would be a logical answer to an immediate problem, Mr. Saltsman. I think the people of Western Canada, in particular, have been short changed in recent years, with respect to the kind of travel that they were used to in years gone by. By virtue of the fact that a selling job has not been done, I think the public has been gradually weaned away from this kind of travel. I think with the increasing numbers of cars on the highway, and the increasing statistics relative to highway accidents, I think there are more and more people who in years to come will be looking forward to this kind of highway traffic, especially local traffic between the main centres in Western Canada.

I would think that two years might be somewhat of a short interval when this kind of a trial procedure might be carried out. I would think that three years would be a more realistic approach because I would expect that it would take a full six months in order to get a properly publicized program on the way. I think there should be a full two years in order to evaluate the progress that has been made, but I think that over a period of three years the Canadian Pacific could either prove or disapprove the theories that we are attempting to provide to you today; that either there is a demand for rail transportation in Western Canada or there is not.

I think we should be realistic. I think that we should be fair about this. I think the Canadian public today, especially western Canadian people have not had the opportunity to sample the proper kind of rail transportation. The kind of rail transportation we have experienced in recent years certainly does not lend itself to patronage by the general public.

Mr. SALTSMAN: You would put part of the onus for the continuance or maintenance of passenger service on the public?

Mr. SNYDER: I would think on the public and this is as it should be.

Mr. ROCK: Mr. Snyder, you just mentioned that with the increase of future traffic on your highways and you expect that more people are going to be on the railroads, take the trains. This does not balance at all, Mr. Snyder, because if you are going to have more people and traffic on the highways you are taking more people away from the railroads. And yet you are saying because in the future there will be more people on the highways, then they will come back to the railroads. This does not balance. Do you expect a large increase in population in your province, so that this will come about some day. This does not balance at all, Mr. Snyder, with me.

Mr. SNYDER: I think, Mr. Chairman and members of the Committee, that as our Society becomes more affluent there are more people driving automobiles

from time to time between local points and longer distances. What I am suggesting is that if you provide them with ample rail transportation this will dislocate some of those people who would normally be using the highways and will put them in a position where they will be using rail transportation as a basic alternative to travel on the highways.

Mr. ROCK: You expect more to go on the highway.

Mr. SNYDER: I am suggesting to you that if the proper kind of rail transportation is provided this will be the net result, which is the point that I am attempting to make to you.

Mr. ROCK: Mr. Snyder, the "Dominion" when it was first established—it was even established before the "Canadian"—it had all the services aboard and people left it. The Canadian Pacific put out the new train, one of the most modern in the world, the "Canadian". Now most of the people rather prefer to take the "Canadian" than the "Dominion", and in general most of the people left the "Dominion", this is a known fact, for long distance travel. Now you are saying here you are expecting more people to go on highways and yet you seem to have a magic hope that the people are still going to come back to the railroads.

Mr. SNYDER: There is nothing magic about it at all. Canadian National Railway has done a selling job; they have shown by statistics not by imagination, not by magic, that in travel by the Canadian National has increased to a very marked degree. This is not imagination.

Mr. ROCK: Yes I was coming to that. In fact you referred to the area between Montreal and Toronto. Now, between Montreal and Toronto, if you look at the increase in population between these two areas you will find it is a larger population than your whole province.

Mr. SNYDER: Something perhaps that you have lost sight of is the fact that we have within our borders the third and fourth fastest growing cities in the whole of Canada. Perhaps this is something you have lost sight of too, but Saskatoon and Regina are the third and fourth fastest growing cities in the whole of Canada. This is something perhaps that is not widely recognized but it is nevertheless a fact.

Mr. ROCK: Well, this may be so; the point is that to my way of thinking and the way I heard you speak, I cannot comprehend your way of thinking. You have mentioned the fact that there will be more people on the highways—

Mr. SNYDER: I would like to make my point somewhat more clear if I may. One of the suggestions that I have made is that with the return to the kind of passenger traffic that we feel Saskatchewan and the prairie provinces are entitled to, this would mean once again that the merchandising service, I would expect, would return to the rails where it logically belongs. I would expect also that mail and express would be handled on the rails where it belongs rather than creating an additional hazard on the highways. It is all part of the future.

Mr. ROCK: So, in that case, speed in itself is not in the picture at all; in other words, the idea of fast travel by aircraft, the competition by aircraft to railroads; you do not consider the idea that if trains travel faster, then they would be in competition with air and possibly they would regain what they have lost. This would give competition against the travelling by highway and travelling by air.

Mr. SNYDER: I cannot start an argument with you there because I believe you raise a very valid point. I believe that high speed trains of course are the answer. We find that we can travel from Regina to Saskatoon by way of the day liner the CN provides, and when you consider your travelling time from the airport to the heart of the city of Saskatoon, the travel by rail liner is comparable to a flight by air. This is a very good point, I would suggest.

Mr. Rock: What is your opinion then on the type of union contracts, the labour relations that we have between the railroad and the unions? When a railway company is contemplating putting on making faster trains the people who are working on the trains, the engineers especially, they want the same pay even if they do that same distance twice as fast.

Mr. SNYDER: You have lost sight of another argument here. You have lost sight of the fact that primarily the Canadian Pacific Railway has been in the business of selling transportation since the beginning of time. The Canadian Pacific Railway will charge me the same for travelling from Moose Jaw to Calgary whether it takes me three hours or it takes me six. They are selling transportation by the mile.

Mr. Rock: This is an opinion that I want to get from you. Do you feel that they should be given a chance to reduce prices in that manner each time that they want to. Let me put it this way. If a manufacturer produces three times as much of a commodity today as he produced yesterday, because he purchased a certain machine, because he invested a certain amount of money in that machine; he can produce it three times as fast and three times as cheap; does this mean that the man who is going to operate the machine, who operated it previously, should get three times more money for operating that machine.

Mr. SNYDER: Well I would not say so, but I would say that he should share in the increase in productivity; I think that this is rather basic.

Mr. MACEWAN: I have just a short question. I wonder Mr. Snyder if you could just amplify a bit on what you said, as I understood it, that there should be a two year trial period for the CPR to show an improvement in their services. Have you in mind an additional transcontinental train along with the "Canadian", together with improved local service; that is, in the areas between Moose Jaw and other areas.

Mr. SNYDER: I would disagree with some of the previous briefs that have been presented that suggest that a day liner service is sufficient. I do not think a day liner service is anywhere adequate to provide the kind of facilities that we need. One of the things that I mentioned just a moment ago concerns mail and express, which have been placed on the highways, which constitute a problem, with upkeep of highways, which is a charge on the public purse. I think also that the merchandise, the mail and the express, should logically be handled on the rails where it originated and where it properly belongs. I think that a service provided, a second transcontinental service, an adequate service, provided at a different time of the day that will complement the "Canadian" is I think the answer to the problem which we face today. I do not think a shuttle service or a day liner service will come close to meeting the needs of future requirements of the people of western Canada.

Mr. MACEWAN: That is a combination of the both.

Mr. SNYDER: Yes.

Mr. CARON: You spoke on page two of passenger service at Moose Jaw in former years. You give several examples there. At that time I do not believe there were good roads to travel on. Since that time the provincial government has built those roads, and people seem to prefer to go on those roads. Is not that the case?

Mr. SNYDER: I would agree with you to a point. I think we go through these trends and I think that for some years perhaps the trend was from rail travel to highway travel; and I think perhaps we are beginning to reach what might be referred to as the saturation point at this stage. I think people once again are beginning to look for another mode of transportation. I think they are beginning to look for a safe and reliable means of transportation between the main centres of western Canada; perhaps more especially between Calgary and Winnipeg at this time. But I am sure that most people, if they are travelling in one of the mini cars its a good deal more economical to climb on the train at a reasonable rate and have the comfort and convenience of being able to relax and read or do whatever work is necessary between those points.

Mr. CARON: Travelling by bus the other day I have seen that the government was widening the roads, making them twice the width they were; that is to help those travelling by car to have a chance to travel without accidents. Do you not think that this will prevent the going back to the rails.

Mr. SNYDER: No, I think not. I think there is a point of no return. It is a question of how wide you can build highways and how many lanes you can extend your highway system to. I think there is a saturation point where it becomes extremely costly to build these multi-million dollar freeways, and I think that when the public recognizes the fact that this form of transportation is being provided by rail they will make greater use of it. If there is a service that is inadequate of course they are not going to use it; they are going to remain on the highways and continue to compound the problems with respect to travel on the highways.

Mr. CARON: You said it has been costly, but to maintain the CPR and the CNR is costly too. We have to give them grants; otherwise they are in danger of disappearing completely. This is a charge on the public also. Have you examined how many passengers go on the day liner?

Mr. SNYDER: The day liner that I am most frequently associated with, the one I travel on, on occasion, is the day liner between Regina and Saskatoon. It is very well patronized. It is comparable to air travel, a good deal cheaper and used extensively between the city of Saskatoon and the city of Regina, our most two heavily populated centres.

Mr. CARON: Do we know how it is on the other day liners?

Mr. SNYDER: I have not had occasion to use the other day liners; no, no, I could not give you any degree of accuracy.

Mr. CARON: Yesterday or the day before they told us that sometimes they have had three persons, sometimes they have seven persons using the day liner. If they have only that, it is not a paying proposition.

Mr. SNYDER: This is not the case, I cannot comment on that, Mr. Chairman, and members of the Committee, because I am not aware of any day liners except the one between Regina and Saskatoon that I am quite well acquainted with.

Mr. CANTELON: I was rather interested in something new that Mr. Snyder introduced when he mentioned the matter of another train, because it would improve mail facilities. This is the first time I think that this has been mentioned. Do you really think that the mail people will put mail back on that train when they are now sending it out by bus in what I think they feel is a more efficient scheduling than what they would get from the trains?

Mr. SNYDER: We found this was not the case last winter when there were a number of February blizzards when the mail ceased to get through at all. We had a rather severe winter that we have just passed through. I know this is the exception rather than the rule, but once again, if the railways made the rates sufficiently attractive—these are contract jobs, the mail is on the highway in trucks that are operating under contracts I understand—if the railway was to make it sufficiently attractive and I think they could, then I think without a doubt there would be no difficulty in having mail once again travel by rail. I am only speculating now, I cannot say this with any degree of certainty.

Mr. CANTELON: I really think you are because I rather question that. I think the way they have worked it now gives almost ideal service to the outside areas from the city, and enables them to bring it in and take it out in fairly ideal service.

Mr. SNYDER: This mail for outlying points has been travelling by truck for a good many years. This is not a new innovation. But what I am talking about is the travel in some of the more densely settled areas, which did previously travel by rail more extensively than it does today.

Mr. CANTELON: I do not want to take too long because you know we are in a hurry, but there is just one other thing I would like to ask of this nature. Now, there is wonderful connection by day liner between here and Saskatoon. Do you know if these day liners carry mail?

Mr. SNYDER: I could not be certain; I believe they do. I believe they do handle mail also.

Mr. CARTER: I have just one short question. At the bottom of page four you say "railways are in a position to present rail travel as a safer means of travel than other modes of transportation". Can you give the Committee any statistic to show that rail travel is safer than air travel?

Mr. SNYDER: No; I think it is generally accepted, and once again I would perhaps have difficulty in picking statistics out of the air at this moment to prove a point that I have attempted to make. I believe, and quite firmly, that this is the case. I think that the number of fatalities, or the number of accidents involving passenger trains, has been so remote per passenger mile in recent years, that it is almost non-existent. And you only have to have one accident in air travel in order to represent quite a sizeable problem with respect to air passage.

Mr. CARTER: My information is that in passenger miles, when you express the safety in terms of passenger miles, that air travel is safer even than rail travel.

Mr. SNYDER: This is your expression and not mine. I was talking of highway traffic; that is what I had particular reference to.

Mr. CARTER: Compared to other modes which included air travel.

Mr. SNYDER: That is right. I was dealing more specifically with highway traffic rather than air travel because I do not have statistics to back this up. I am sure you will agree that if you consider the number of miles driven with respect to highway traffic you would have to agree that rail traffic is a good deal less hazardous than travelling by the passenger automobile.

The CHAIRMAN: Well, that is all. I want to thank you, Mr. Snyder, for your presence here.

Mr. HOWE (*Wellington-Huron*): One question, Mr. Chairman. This afternoon somebody mentioned priorities in connection with rail travel. Now, Mr. Snyder, in the development of your province here, grain and potash and all of those things, and the industrial development that is going on, you need a lot of increased freight movement, do you not?

Mr. SNYDER: That is correct.

Mr. HOWE (*Wellington-Huron*): Do you feel that the present rail lines would carry all this increased traffic?

Mr. SNYDER: Well, Mr. Howe, if you can relate this to passenger service, all right.

Mr. HOWE (*Wellington-Huron*): I am going to, because after all we talk about increased passenger service, putting the mail back and the express back on these trains, and running more trains—do you think the present one main line would be sufficient to carry all this passenger and freight service that is going to be necessary in this developing province?

Mr. SNYDER: Oh, absolutely. Just to give you a comparison between the mode of operation as far as the Canadian Pacific on the main line is concerned, 150 car trains are not uncommon as compared to 15 years ago when a 34 car train was a relatively common kind of a train. So five trains are being pulled in one; the centralized traffic control is working in such a fashion that trains will pass in the night and neither of them stop. One heads into the passing track, the other meets it. As far as handling trains is concerned, you could triple the operation without any conceivable amount of difficulty. There is no trouble in this.

Mr. HOWE (*Wellington-Huron*): I am not an expert in that, but I doubt if you could triple the number of trains without a certain amount of hazard on these lines.

Mr. SNYDER: Oh, I think not. I think the operation is quite an efficient operation and they are rather competent people that are doing the job.

The CHAIRMAN: Your contention is that with one track, all these trains could travel back and forth, including freight.

Mr. SNYDER: Oh, absolutely. Oftentimes, the despatch amounts to five or six trains a day. This could be tripled without any conceivable difficulty.

Mr. CANTELON: They used to have a double track from here east, and they took the double track out, once they put in modern signalling.

Mr. SNYDER: Then, they tripled or quadrupled the size of the trains. So really you have not increased the traffic or increased the hazard.

The CHAIRMAN: Well, thank you, Mr. Snyder, for your very kind presentation to us. Thank you very much.

I have a submission now by Mr. E. A. Blakeney, M.L.A., for Regina West on behalf of Mrs. Marjorie Cooper, M.L.A. for Regina West, E. C. Whelan, M.L.A. for Regina North, H. H. P. Baker, M.L.A. for Regina East, W. E. Smishuk, M.L.A. for Regina East, and Mr. Blakeney, M.L.A. for Regina West, himself.

Mr. A. E. BLAKENEY (M.L.A.): Well, Mr. Chairman, and gentlemen, as your Chairman has indicated, I am presenting this brief on behalf of Mrs. Cooper, who is the lady in the back row who has graced your gathering during the day, Mr. Whelan who was introduced at supper, Mayor Baker whom you heard from earlier today on behalf of the city of Regina, and Mr. Smishek, who is unable to be with us today. As representatives of the city of Regina in the Legislature, we welcome the activity of your Committee. The city serves as the capital of Saskatchewan, which is the prime commercial and industrial centre and is the major commercial and service centre for southern Saskatchewan. Over the past twenty years, Regina's population has more than doubled from 60,000 twenty years ago to some 130,000 today.

In the past, Regina was an important centre for passenger travel operations for the CPR. Main line operations included the two transcontinental trains that we have heard a good deal about, a good overnight service to Winnipeg and local services to Moose Jaw. Branch line operations included two routes to Saskatoon, one operated as a day service and the other as a night service, one train to Prince Albert, one to Melfort, and one local service on a route just north of the Qu'Appelle Valley, and a service to the southeast to Stoughton, Arcola, Carlyle and Manitoba points, with a connection to Weyburn.

Over the years, one by one, branch line trains were withdrawn until by now there is not one branch line train operating out of Regina by the CPR. During this time, local services to Moose Jaw were also curtailed and finally withdrawn as you heard this morning. Then, the overnight train to Winnipeg was withdrawn and most recently the "Dominion" was cancelled.

It was maintained that for a number of reasons, branch line operations were not paying their way and were not essential any more. But for a long time it was also maintained that main line services would be continued uncurtailed. In recent years, this assertion, myth as it has turned out to be has exploded as one service after another was pulled off the main line until today there is only one passenger train operating through Regina.

This development was perfectly predictable. Apparently the CPR did not heed the lessons it learned in the past. The elimination of branch line services was bound to affect main line operations. One CPR president expressed this view to CPR shareholders a long time ago, when he said: "Had you stopped at the completion of your main line across the continent, your enterprise would have come to ruin long ago, or at best it would have existed only as a sickly appendage of the Grand Trunk. Like a body without arms, it would have been dependent upon charity, upon the charity of a neighbour whose interest it would be to starve it."

We wish to divide the discussion of present and future passenger service into two phases. Firstly, main line operations and secondly, branch line and over-all provincial transportation services. Turning first to main line operations, one passenger train, the Canadian, operates on the CPR main line today. And you have already been apprised of the unsocial times, it arrives in Regina from the east at 5:32 a.m. central time; it arrives in Regina from the west at 3:40 a.m. central time. Even the most hardy traveller would be discouraged from using the railway under these circumstances. It is no wonder that the railway is losing the passenger business, if this is the best it can offer. Witness can also be given to less than satisfactory service on the "Dominion" while it was in operation, and I certainly can verify that. I had the misfortune to be a passenger on the "Dominion" last fall when I was coming back from a speaking engagement in Medicine Hat and as any one who has travelled on that train will well know, there was no sleeping car accommodation; there was no food available; you sat up and the only attention you got was to be wakened up in the middle of your doze and asked for your ticket. This was the sum and substance of the CPR's solicitation for your comfort.

Several points require further exploration. There are seven cities of over one hundred population on the route of the "Canadian" from Toronto-Montreal to Vancouver. Regina is the only one with middle of the night arrivals and departures.

It might be argued that sleepers are set off at Regina from both trains. This is our second point. This is useful but for some people it means more time than is necessary spent on the train, and for other people the additional costs involve hardship, and they are thus precluded from using the railway because they feel they can only afford the day coach.

Our third point, is that there is considerable travel between Regina and Calgary, and Regina and Winnipeg. The present schedule of the "Canadian" is certainly not suited to the needs of the traffic and leaves many people with no other course but to seek alternative means of transportation.

Fourthly, there is considerable travel between Regina and other Saskatchewan points on the CPR main line. The present schedule of the "Canadian" will certainly not attract this traffic. It might be noted that in addition to Regina, there are the following centres on the main line: Moose Jaw with 35,000 people, Swift Current of 13,500; the towns of Maple Creek and Moosomin with 2,000 and 2,500 people; seven centres of between 1,000 and 2,000; ten centres between 350 and 650, and numerous smaller centres.

In addition, there are other centres near the main line, and a large rural population. There is a need for a good local service. While bus service is provided along this route, a good rail service would be able to compete effectively for business, and could attract considerable business that presently travels by private automobile.

Turning to the second head of our presentation, branch line and over-all provincial transportation services, at present there is only one other passenger service operating out of Regina, that is the CNR rail liner to Saskatoon and

Prince Albert. While there is no question that post-war developments in automobile and bus travel necessitated some changes in rail passenger operations, the complete elimination of these services cannot be justified. The map of Saskatchewan tabled with this brief, and I have submitted it to your secretary, Mr. Chairman, outlines present railway and bus routes in operation. The existence of a route, of course, makes no comment on the adequacy or the quality of the service. However, it does become apparent that there are a number of areas in Saskatchewan which are not adequately served by public transportation facilities of any kind. In some of these areas, the CPR could make a useful contribution, and in other areas, with proper scheduling, a useful alternative service could be provided. We would suggest that the CPR should expand its local operations in two general areas; firstly, services to other major centres; particularly important is a service to Saskatoon and Prince Albert. One route to Saskatoon is along a line not served by bus. The route to Prince Albert would serve the growing towns of Lanigan, which is becoming a potash centre and Humboldt. From Lanigan north, there is no alternative bus service, and from Regina to Lanigan, proper scheduling would provide a useful alternative service. Such services would certainly help business on the main line trains.

Secondly, local services on lines not served by bus or where a useful alternative service could be supplied. To be successful, such services must be competitive in price, must provide rapid transportation and be accompanied by reasonable service.

● (9.30 p.m.)

Mr. Chairman, I wonder if I might be permitted to digress a moment, to comment on some of the remarks which we have heard during the course of the day, and on the statements by the president of the CPR which were published in the newspaper, and I refer particularly to this concept of effective demand. I must say the way the concept of effective demand is used by the CPR bothers me a bit, I find it a rather difficult concept when applied strictly to passenger transportation, because any integrated transportation system is at least semi-monopolistic, and certainly the CPR is in a semi-monopolistic position in western Canada. The operation of such a system carries with it the obligation to carry on some uneconomic business. If you think of a civic transportation system, the very supposition that the civic transportation system could say, "we will not serve that block because it does not pay, we want not to serve your city, but to serve the profitable lines in your city", would not be acceptable to the citizens of a city. They would say, "if you want the task of giving a reasonable level of service to this city, fine, but you have to take some of the rough with the smooth."

Now, it seems to me that the CPR is advancing the proposition that not only every line but every class of business on every line must be economic, and this strikes me as being a difficult concept. If the CPR can say that they will not carry passenger transportation on the main line, because there is not sufficient effective demand, they can presumably equally say that they will not carry L.C.L. traffic on the main line, because there is no effective demand, or that they will not carry tomatoes or some other commodity, and they could presumably then reduce their traffic to the position where on every line with respect to every class of goods they insisted on making a profit, because they said that it

they do not make a profit there is no effective demand. As I say, I do not view a transportation system as operating this way.

It seems to me that when somebody undertakes the obligation to run a railway line, and by the mere construction of the CPR main line, it becomes uneconomic to build another line beside it, then, on that CPR main line there must be carried all of the traffic which can reasonably be carried. Obviously that is a difficult concept, "reasonably", but nonetheless, I do not think that they can eliminate every class of business on that line which does not produce a profit and in their terms "for which there is no effective demand". I suggest that this provides the railway with an obligation to give a minimum level of service on all lines in exchange for their monopoly.

You ask me what is the minimum acceptable level of service, and I can only say that this is a task for your Committee and for the Board of Transport Commissioners, or for an integrated transport authority to decide, but certainly we have views on the matter.

Now to return to my brief, the CPR has been maintaining in recent years that it is carrying out its obligations under the 1881 charter in both spirit and in letter, when it abandons passenger services. The people of Canada will not accept this shallow interpretation—I do not mean to give a legal argument—but the facts are, that the CPR agreed, in exchange for good and valid consideration to forever effectively maintain, work and run the Canadian Pacific Railway. You ask me, what does it mean to maintain, work and run a Canadian Pacific Railway? Well, I will tell you what it does not mean; it does not mean to maintain the corporate existence of the railway. If they duly hold a shareholders' meeting each year, we will concede that that is not compliance, so it means something more than maintaining the company. We have to ask, what more? Suppose that in 1885 the CPR had come along and said, "we are going to cut our passenger transport on the main line". Do you think for one minute, it would then have been an acceptable level of conduct for the railway company? Do you think for one minute it would not have been argued that that was a breach of their covenant to efficiently maintain, work and run the Canadian Pacific Railway, and I think the answer historically is that it would have been believed to be a breach of faith.

Now, you will say that conditions have changed since 1885. Well, it is up to the CPR, the onus is on them to tell us when they changed and to what extent. They are now apparently asserting that to effectively maintain, work and run the Canadian Pacific Railway does not obligate them to maintain any particular level of passenger service. It certainly did once, and it is up to them to show us when they became divested of this obligation. Furthermore, I would assert that the passenger service on the Canadian Pacific Railway did not make money all the time. I do not think it made money in the early years, it may have. But I suggest that in the early years, if they had attempted to divest themselves of their passenger services, and could have shown that they did not make money, it still would have been alleged that this was a breach of faith, and if the CPR wants to argue law, they have to argue on the basis of what the contract meant in 1881, because this is, in fact, how one interprets a legal document. What did the parties mean?

If they want to leave aside the legal argument, and move to the moral argument, then I suggest that anyone who has the degree of railway monopoly that the CPR has, has an obligation to maintain a minimum acceptable level of passenger transport, and I revert to my earlier point.

Now, Mr. Chairman, it has been proven in many places that people can be transported on an economic basis, and I suggest that the CPR has an obligation to provide satisfactory facilities for the transport of both goods and people. We urge your committee to take all necessary steps to ensure that the CPR lives up to these obligations. All of which, Mr. Chairman, is respectfully submitted by the five M.L.A.'s.

The CHAIRMAN: Thank you very much.

Mr. O'KEEFE: Mr. Blakeney, would you accept the basic premise it is only justice that a consumer should pay for what he or she uses?

Mr. BLAKENEY: If you ask whether I do that in terms of transportation facilities—

Mr. O'KEEFE: I am asking first of all whether you accept the basic premise.

Mr. BLAKENEY: I think I can not make that statement generally. I will agree with that in—

Mr. O'KEEFE: Do you disagree with it?

Mr. BLAKENEY: Oh, my, yes; in education I disagree, in health, I disagree, and in social welfare, I disagree, and a whole series of areas of life, I disagree.

Mr. O'KEEFE: That a consumer should not pay for what he or she consumes?

Mr. BLAKENEY: That is right. I disagree with that in education, for example, sir.

Mr. O'KEEFE: I will not argue with you on that, Mr. Blakeney because I think you are in part right. There is just one other question. When you use the word "transcontinental" and you have heard it used here a good many times, what do you envisage, from British Columbia to where?

Mr. BLAKENEY: Well, I grew up in Nova Scotia, and I know you are from Newfoundland, so I had better make it from St. John's to Victoria.

The CHAIRMAN: Just before we continue with the questioning, there has been a map given to us and is a part of this brief, and I would ask for a motion that it be printed at the end of the presentation that Mr. Blakeney has submitted to us. Moved by Mr. O'Keefe, seconded by Mr. Olson.

Motion agreed to.

Mr. BALLARD: Mr. Blakeney, I was interested in the off-the-cuff description you gave of the obligation of a transportation system such as the CPR to operate their business, and particularly some of their lines, even though those lines are uneconomic factors in their system. I think you also said that some of the phases of their business should be offered or should be provided even though they are uneconomic. But I was particularly interested in the fact that you said that the company, the CPR, has an obligation to operate—well, you did not say the CPR, you said, a transportation company—has an obligation

to take the bitter with the better, if you want to use that phrase. Now, the question I have for you is this. Do you think that this also applies to bus lines, where there is, say, a monopoly?

Mr. BLAKENEY: The answer is, yes, sir.

Mr. BALLARD: Then, I notice in your brief, on page 5, that you indicate there is a route from Regina to Saskatoon via Colonsay, which is not served by bus, and from Lanigan north, there is no alternative bus service. In view of the fact that the Saskatchewan government is in the bus operating business, have you a reason to suggest why the government of Saskatchewan has not put bus lines on these two routes?

Mr. BLAKENEY: Well, I have not a reason to suggest why this has not been done in the last couple of years, Mr. Ballard, but prior to that the general principle which the Saskatchewan Transportation Company used to use in deciding whether or not to operate a bus was whether or not the line covered its direct operating costs. If it covered its direct operating costs, we by and large operated it, even if it made no contribution to fixed costs. Now, admitting the difficulty in always segregating what is a fixed cost, whether you are doing a short term analysis or a long term analysis, there are some questions of judgment there, but by and large, our proposition was that did it cover its marginal costs? If it did, we operated it, and if it did not, we did not unless there was a rather extreme reason for doing so; and we operated some on an extreme basis, because they were into northern areas, where there was virtually no alternative transportation.

Mr. BALLARD: Well, then you are saying really that a bus line or rail line that meets this variable cost but does not meet all costs is an uneconomic unit. Is that your definition of an uneconomic unit?

Mr. BLAKENEY: Well, it would certainly be uneconomic if it does not make some contribution to fixed costs, but I would not say that it has to make its full share, because I am not quite sure what a full share is.

Mr. BALLARD: Well, then, would you agree to the CPR stopping a line, if they cannot recover more than its variable costs?

Mr. BLAKENEY: I think by and large I would, if this could be firmly established; but, of course, the onus is on them. In the case of the CPR they have an additional obligation, because they got paid for operating uneconomic lines when they built the railway, and the Saskatchewan Transportation Company did not get any subsidy from the government to operate lines which were contemplated as being uneconomic.

Mr. BALLARD: The Saskatchewan Transportation Commission has never had a subsidy from the provincial government.

Mr. BLAKENEY: Well, it has not had a subsidy of the nature of the CPR subsidy. It has never had a subsidy except only it may not have made a proper return on capital, but if you—

Mr. BALLARD: I am talking of subsidies.

Mr. BLAKENEY: All right, I am not quarreling with that.

Mr. BALLARD: I am trying, Mr. Blakeney, to get a clear picture of what you mean by an uneconomic unit, and of the obligation of the government, of which you are a member.

Mr. BLAKENEY: No, I very much regret, I must decline the honour.

Mr. BALLARD: Well, as one opposition member to the other, I am trying to find out, how you can justify in your mind, having the CPR operate uneconomic units, when the government of the legislature, of which you are a member, is not prepared to operate uneconomic bus lines.

Mr. BLAKENEY: Well, now, let me put it this way. If the CPR can show that these rail lines are uneconomic, after they have credited to the earnings of their rail lines, all the earnings of the subsidies they got to build their rail lines, and, if they can show that after a full credit of all these things, when these things are uneconomic, then I would be prepared at this point to agree that unless there is a paramount national interest, they should give up the service. What I have always objected to with the CPR is the fact that first, the accounting problems are very, very large, and I say nothing that you gentlemen are not fully appreciative of; but when the passenger business represents only seven percent of the gross income of a railway company, they, or any other business, in any business that I have been associated with, if you ask me to price or do a cost analysis of one segment of the business that represented only seven percent of my gross value, I could make that come out any way I wanted to, because there are just enough problems in allocating costs, but that is a trite statement to a group like yourselves. If we did agree on the allocation of costs, then if the railway would credit against any alleged losses, all of its earnings from those resources which it got to build the line, at this point, I think we would be prepared to say that if they are losing money we have to look then at the paramount national interest, and then we have to look at a national subsidy, if we want to ask them to run it.

Mr. BALLARD: I do not think that is what you said though. You agreed that if a branch line was uneconomic that the CPR or the government should be allowed to drop that line.

Mr. BLAKENEY: Well, uneconomic, but by George, it is not up to the CPR to tell us that their railway company costs what they say it costs, when they were getting 25,000,000 acres of land on the side, or \$25,000,000, or whatever. The 25,000,000 acres of land and the earnings from it must be deducted from the costs, if they are going to use that as a cost base.

Mr. BALLARD: Well, I do not think that any accountant would agree with you that you can take those original bonuses into consideration in determining whether a branch line is economic or uneconomic?

Mr. BLAKENEY: Well, if we are purely talking about variable costs, you may well be right.

Mr. OLSON: Mr. Blakeney, in your remarks, not in your brief, when you were digressing, you attempted to equate the CPR's responsibility to a city owned bus service. Do you think that is a valid equation?

Mr. BLAKENEY: On the main line it is certainly a valid equation. Now, I perhaps failed to make myself clear, judging from one of Mr. Ballard's remarks.

I am not necessarily alleging that they have to operate every branch line, but they are not going to abandon the main line. I am just saying that when they keep the main line, they ought to be giving a full range of service along the main line. I would say that the main line of the CPR is a reasonable equivalent to a city transport system, and that to ask them to give a reasonably adequate level of service along the main line is similar to a civic transportation system being asked to give a reasonably adequate level of service throughout the urban area.

Mr. OLSON: Yes, but in this kind of a city-owned, or even if it was a contract, bus service the route would be spelled out, and I am glad that you said what you did in this last remark, because this does, in fact, leave what is adequate open to decision, progressively as you go down through the years, does it not?

Mr. BLAKENEY: I think we can not assert that it has to be three trains a day or anything like that.

Mr. OLSON: I think you also said that the onus was on the CPR to tell us when things had changed in so far as withdrawal or partial withdrawal of service. Now, I would like to suggest to you that the CPR has told us it is their firm conviction that things have changed to the extent that in 1966, in fact it was August 20, 1965, a second transcontinental service was no longer required. I could not quite understand why you kept repeating that the onus was on the company to tell us this, when, as far as I am concerned they already have told us.

Mr. BLAKENEY: I am sorry I clearly failed to make my point. I was using a straight legal argument. I was saying that legally, when the contract was signed, to operate a railway company meant to operate an adequate passenger service. That is what it meant, and anybody who was standing outside the room where it was signed would have said, "That is what the parties meant".

Mr. OLSON: You will have to define adequate; that is, what is contemporarily adequate.

Mr. BLAKENEY: Yes, but I also went on to say that I suggest that at that date it would not have been agreed that adequate meant "that which paid", because I think the CPR passenger services did not pay from the beginning; and from there on, I went on to say that it was up to them to show us when their legal obligation vanished.

Mr. OLSON: Mr. Blakeney, I would like to ask just one more question. I wonder if we could set aside the CPR's obligation for a moment. I wonder if we could set aside this matter of profit or economics involved, and so on. Let us talk about this word "demand". Do you think that there is a demand now for railway passenger service over and above that which can be met by one transcontinental train each way per day?

Mr. BLAKENEY: Yes, I very definitely do. I think there is a demand, certainly for a local service, which cannot be met by the "Canadian" transcontinental service. I have no hesitation in saying that.

Mr. OLSON: For a local service?

Mr. BLAKENEY: That is right.

Mr. OLSON: There are two services mentioned.

Mr. BLAKENEY: I am not making myself perfectly clear. I do not mean to exclude a transcontinental train which might be providing a local service. My problem has stemmed from this, that some time when some one talks of another transcontinental train, some one says that he is arguing for another train going from North Bay to Winnipeg. I do not know whether we need another train from North Bay to Winnipeg, and it may well be that the right thing to do is to run one CPR transcontinental from Montreal to Toronto to Winnipeg, and two CPR transcontinentals, or call them what you like, from Winnipeg to Vancouver.

Mr. OLSON: Do you know whether or not there are people in Regina, in particular, but southern Saskatchewan, in general, who want to go to eastern Canada and to western Canada and are unable to obtain satisfactory accommodation?

Mr. BLAKENEY: I wanted to go to Toronto last July to attend a political convention. I tried for days and days to get accommodation on either the "Canadian" or the "Dominion". I would have taken either; I wanted a nice restful trip. I gave up trying and flew down. Anybody in Regina can tell you ten tales of this. In the summer time you can not get on the trains. This ought to have been well established. I think.

The CHAIRMAN: You say in the summer time they cannot get on. Tell me this. If this committee was to go back after its hearings and come to some conclusions, assuming that the "Dominion" for all intents and purposes is dead. Let us just assume that. We come to the conclusion, after going through all the evidence, that there is no crying demand for the "Dominion" on a twelve month basis, but, they do say, "put it on for the summer period", would this be a solution to the heavy traffic as far as western Canada is concerned, combined with the "Canadian"?

Mr. BLAKENEY: I think and if it were replaced in the winter time by a day liner service.

The CHAIRMAN: Let us forget the local service for now.

Mr. BLAKENEY: I think that that might well be adequate for transcontinental, I really do.

The CHAIRMAN: Let us start from the City of Regina's point of view. This is the point of view you are giving really, in particular.

Mr. BLAKENEY: That is right.

The CHAIRMAN: The city of Regina's point of view.

Mr. BLAKENEY: I had not thought of that, and I suppose it depends on what you meant by summer. You know, I do not want to be too—

The CHAIRMAN: Well, June, July, August and September, or whatever it is.

Mr. BLAKENEY: Well, I think aside from the Christmas trade, which would be missed, I think that would be pretty well it.

The CHAIRMAN: All right. If you broke you brief into two: main line and local, local then presents a different problem altogether. You are speaking of the bodies of the Province of Saskatchewan.

Mr. BLAKENEY: That is right.

The CHAIRMAN: Mr. Hymmen.

Mr. HYMMEN: I will pass to the next speaker.

Mr. ROCK: There were many questions asked and many of them were the same. I just want to get one thing straight, Mr. Blakeney, and that is going back to your comments on municipal transportation. You mentioned before, when you got off the track from your brief, and what does the CPR mean by effective demand? Now, surely in a municipality, any expanded area of a municipality is properly planned by the municipality; they have to make sure that the contractor is going to build a house before they give the service, both water and sewer; and only when there is a proper population which means an effective demand, will the bus service come in; do you not agree?

Mr. BLAKENEY: That means a demand.

Mr. ROCK: It creates effective demand.

Mr. BLAKENEY: No. I would not concede that for a minute.

Mr. ROCK: You agreed before that economically speaking you would go as far back for as long as, that bus route did not lose any money. It may not have to make any money, but as long as it does not lose, all right. If it loses money, it should not be there. This what you said before.

Mr. BLAKENEY: I am sorry, you are telescoping two of my arguments.

The CHAIRMAN: That is what he charges me with.

Mr. BLAKENEY: I hope I did not say that with respect to municipal transport. I say that anyone who takes a municipal transport monopoly has an obligation to give a reasonable adequate level of service over the urban area, and that is it. Some of them are going to lose money and some of them are not going to cover their direct costs, and that is just too bad. Now, I was talking—

Mr. ROCK: You mean in your province, in a certain given area, all they have to do is demand a bus in that area and they have to give it to them, without any study whatsoever in this case—

Mr. BLAKENEY: You want to extend my argument, but I will say this, that in every urban area of Saskatchewan where there is municipal transport, the municipal transport authority is operating routes which do not cover their direct costs. I will say that.

Mr. ROCK: Well, you say that but do not feel that that portion may be helping out the main route?

Mr. BLAKENEY: I beg your pardon.

Mr. ROCK: That portion may be helping out the main route.

Mr. BLAKENEY: Yes, could be.

Mr. ROCK: It covers it up in a way.

Mr. BLAKENEY: It may, but it may not.

The CHAIRMAN: Would you agree with me, Mr. Blakeney, that all municipal transit authorities, such as municipally owned, have to run economic lines around this their city.

Mr. BLAKENEY: Uneconomic lines.

The CHAIRMAN: Uneconomic lines?

Mr. BLAKENEY: Yes, I agree. I am surprised to hear the proposition that effective demand as defined by the CPR would be—

The CHAIRMAN: I am trying to find out how you correlate this with the passenger service of the rail line. This is the difficulty.

Mr. REID: Which is not in a monopoly position.

The CHAIRMAN: That is right. Pardon?

Mr. REID: Which is not in a monopoly position. Your argument, your analyses holds good with the railway as long as it is the only producer of passenger services, but in this case, in Regina's case, in Moose Jaw's case, we have bus service, we have automobile, and we have air transportation, therefore it seems to me your argument falls.

Mr. BLAKENEY: Well of course, do not forget that any municipal transport service has.

Mr. REID: It is an absolute monopoly.

Mr. BLAKENEY: What about automobiles and taxis?

Mr. REID: Well, certainly alternatives.

The CHAIRMAN: Mr. Byrne is the last on the question list.

● (10.00 p.m.)

Mr. BYRNE: This afternoon Mr. Baker said, and I note that he is also here, that at the time the government was attempting to get a transcontinental railway built there were financial interests who were vying with one another, in order to get this contract. Have you any historical facts on this?

Mr. BLAKENEY: I would not attempt to agree or disagree with that. I know that the government of Canada, I recollect that the Government of Canada was negotiating with a couple of different financial groups, and I suppose we will never know who was playing a game of cat and mouse with whom. It is often written, and I see the CPR invariably writes it, as if the government of Canada absolutely implored them to build this railroad.

Mr. BYRNE: Are you aware that in 1878 the government obtained power from Parliament to appropriate a hundred million acres for the construction of railways but at that time apparently there were no takers.

Mr. BLAKENEY: This could well be; as I said I would not assert either yes or no that CPR were the only ones in the field and they were prevailed upon to build it or what the alternatives were.

The CHAIRMAN: Well, Mr. Blakeney I want to thank you for your presentation and your answers on the questions. I am sorry that the M.L.A's have had to wait as long as they have and also that you are operating under cold conditions. I hope that we have not added to it.

Mr. BLAKENEY: Thank you very much.

The CHAIRMAN: Our final brief is being submitted by Mr. Wm. C. Tufts on behalf of the Saskatchewan Progressive Conservative Party. Mr. Tufts has been sitting here also since 9.30 this morning. It is not that we have tried to weary you out. Go ahead Mr. Tufts.

Mr. WILLIAM C. TUFTS: Mr. Chairman and members of the committee, the only advantage I can think of in giving a brief at this time of night is that the Progressive Conservative Party are going to have the last say.

The CHAIRMAN: I think that might keep you here for three or four hours Mr. Tufts.

Mr. TUFTS: I wish to thank you for this opportunity of making our submission and certainly at times like these when things in Ottawa are in a bit of disarray it gives us, the people, confidence to see that you are prepared to come out in our interests and give us a hearing and we locally throughout western Canada certainly will appreciate this fact.

When you think of transportation in Saskatchewan you have to think of it in a special context because we, in Saskatchewan, are buried in the midst of a vast country, and certainly in many times in our past the only thing that has given us the spirit to continue on is certainly the fact that we have been connected with the rest of Canada by a transportation system. At these times it was the rail service that brought economic stability and wealth from other areas of the nation to Saskatchewan when our economy was on the verge of collapse. Therefore we jealously guard our national rail system, as it is one of our strongest ties and certainly the concern you see today by the number of briefs and the number of persons, expresses this.

The key to the development of Saskatchewan, because of our geographical location, certainly depends on the adequacy of a national transportation system, and the railways, no matter what might be said now, have played an important role in this development and they are now playing an important role in the development of industry in our province. I believe they will probably face railroad management with having to show shareholders a profit and eliminate losses, and as a result we submit that certainly services which were may be not so profitable but were nonetheless essential, were curtailed and abandoned. We have heard many arguments or many tones of arguments as to what duty the CPR might owe to us the people, but we certainly do owe them a duty, and while they have received concessions by way of grants to compensate them against loss, they did have the duty to protect and assure that rail services would be provided. For this reason the Board of Transport Commissioners had to okay, had to consider the applications for a discontinuance or curtailment of services. The Board in their decision have stated that they were considering whether the loss and inconvenience to the public, consequent upon the discontinuance of passenger service outweighed the burden that continued operation would impose on the railroad company. If you judge this statement for what it is they did consider the inconvenience to the public.

However, we submit that without a national transportation policy they were left to judge each service or line on a local basis without judging whether such service was important to the general transportation system of Canada. As you review their decisions you will see that in the earlier decisions they were much more reluctant to allow the abandonment of a rail service.

In later years it became almost a general rule that their application to abandon the service by the railways were allowed. The railways then entered into a wholesale abandonment and we suggest that this has brought about a

critical situation as far as Saskatchewan is concerned and that this situation faces your Committee today.

The responsibility certainly rests with the federal government to formulate a national policy. We believe, for instance, that a branch line may be judged uneconomical if considered only on a local basis, and yet economical to the network as a whole as it feeds traffic to the main line, and yet when the CPR's application would come to the Board of Transport Commissioners we locally did not have the facilities to question these applications, and when we would try to question certain costs that we could see were excessive we were told that this was national average. We could not argue national average as this was accepted by the board. We submit that as the services were curtailed it was bound to affect the traffic on the main line and when the main line traffic started to decrease the railways, instead of taking steps to increase traffic, began a further curtailment of services in order to effect cost saving features which only further aggravated the situation.

The railways, and possibly more so the CPR, I am sure came to the decision that the public no longer wanted nor needed comprehensive rail passenger service and began a well-planned and systematic withdrawal from the passenger business.

I do not know if we go along with accusing the company of downgrading or just the decision they had made to get out of the passenger business. The real concern rests with whether they continue this attitude as it affects the "Canadian" which is now the only service. Our party believes that the Canadian people desire and need a national comprehensive rail passenger service. We submit that as population densities increase and the standard of living rises that the need for this rail service will increase and the way that we justify this is that we feel that more people will then want to take holidays in eastern Canada and in Western Canada and as a result the rail service for families will be used.

We also submit that if the CNR are improving their transportation system while the CPR is letting theirs go into disuse that this will have a very discriminatory effect on the economic development of various areas in the province depending on whether they are serviced by the CNR or the CPR. For instance, we know that people within the Moose Jaw trading area actually go to Saskatoon and Regina to make use of CNR rail passenger facilities rather than use CPR facilities in Moose Jaw. Such piece-meal abandonments certainly has a demoralizing effect upon railway employees who have no security for the future, which in turn has a detrimental effect upon the social as well as the economic life of cities such as Moose Jaw where there are a large number of employees.

We also find other people, who because of age, or because they have young families and cannot afford new automobiles, completely isolated when a service is curtailed. In order to equalize the economic and social advantages to all areas of Canada serviced by the transcontinental rail line and remove this demoralizing effect on certain groups, we need an immediate rationalization of our national rail service. We submit, however, that the problem is not just the

rationalization of rail service but rather one of rationalization of our whole national transportation system.

Mr. BOULANGER: I am sorry Mr. Chairman; point of order please, I have to excuse myself here. I am lost completely now. I know what the word rationalization means but now I am afraid I do not understand what you do mean when you say we need an immediate rationalization of our railway service. I do not quite understand; I am sorry.

The CHAIRMAN: Mr. Boulanger would you kindly wait for an explanation of certain words until after. Just a moment please, the only point I am trying to make is this, I realize that Mr. Boulanger has a valid question but the thing is the brief is almost finished. I think that it could be explained immediately after the brief is finished.

Mr. OLSON: Mr. Chairman, on a point of order, in Vancouver we agreed that if the hon. member lost the meaning of words because he did not completely understand the connotations that were being used in any of these words in English that he would lose all the meaning of what follows. I am sure we agreed that we were going to stop and have an explanation until the connotation was clear so that he could follow the rest of the brief.

The CHAIRMAN: I am not disagreeing with you Mr. Olson. I interrupted in order to assist. There are only two paragraphs left and it would have been explained to Mr. Boulanger immediately thereafter. Let Mr. Tufts explain it.

Mr. TUFTS: Rather than piecemeal abandonment which means abandoning a service in one part of the country, in one case, another part in another case, and thereby affecting the whole main distribution system, we mean by "rationalization" a rational plan of development as opposed—this is the expression that we used,—as opposed to piece-meal development. In other words, rationalize this development, one abandonment as opposed to another abandonment or considered in conjunction with it. This is what we mean by rationalisation.

Mr. BOULANGER: It means reasonable.

Mr. TUFTS: That is right.

We believe that if the Committee deals only with rail service without considering other allied transportation facilities the Committee could be faced with the same problem as faced the Board of Transport Commissioners when dealing with the application for piece-meal abandonment. There has been too much talk about automobile traffic versus the railway and the railway versus the airplane and not enough about a plan of co-ordinating all these services to the greatest possible use of the nation generally.

In a country such as Canada we have to depend economically on the western and eastern coast facilities—this is, as it relates to Saskatchewan. Also, because of greater population density in British Columbia, Ontario and Quebec, and these are used merely as illustrations, we must look to these areas for our social as well as our cultural ties, the 1967 World's Fair being an example. It is therefore important that each segment of our transportation system have a chance to carry its weight and certainly we feel it must be on an equitable basis.

We submit then that we cannot consider rail service without consideration of other equally important transportation media. With such consideration in mind, a national transportation policy must be formulated, and this is submitted on behalf of the Saskatchewan Progressive Conservative Party. I wish to express the regrets of our leader, Martin Pedersen, who could not be present today.

The CHAIRMAN: Thank you very much Mr. Tufts. Mr. Hymmen—

Mr. HYMMEN: Mr. Tufts, I congratulate you on this brief, this is the fourteenth brief we have heard today, and as a member of another political party I am very pleased to do so. Now, we have had a lot of discussion in the thirteen briefs about the particular situation here. Your brief is primarily on a theoretical level talking about rationalization and not antirationalization. I gather, of the whole transportation problem. You have mentioned in your brief the importance of the railways in bringing together the Dominion of Canada, and I would suggest that some of the members of the Committee who have not seen the open spaces before are in a better position to realize this importance and the importance for the future. I just have one general question. In other presentations to the Committee we have heard about this over-all board of transportation and the national transportation policy; would you care to expound on the criteria or guidelines which might be used in the formulation of a policy.

Mr. TUFTS: Yes. Thank you; as I mentioned, we were very pleased to have the opportunity to have you here. Things were mentioned that possibly we were not as aware of in advancement of service, such as this jumbo plane that was mentioned. Therefore, we feel that policy has to change from time to time, and that to say to a railroad, "you continue to provide two transcontinental services" if conditions have changed would not be fair and probably would not be reasonable. Therefore you have to consider it and yet the time might come when you have to again say, we need two trans-continental systems, although I doubt this; but we feel that policy has to be made all the time. The Board of Transport Commissioners has sat as a judicial body and Bud Olson mentioned today, or asked a question, should it be an administrative body? We feel they should at least be an advisory body to the Board of Transport Commissioners made up by the members of Parliament who are in touch with the people and with their needs and I think you have done a service in this one tour that the Board of Transport Commissioners has not ever since their existence.

The CHAIRMAN: Mr. Olson.

Mr. OLSON: Mr. Chairman, I hoped that I would be able to be out of order for half a minute. I am not going to have the last word I do not think. You said on page 2 of your brief: "The railways and possibly more so the CPR then came to the decision that the public no longer wanted or needed comprehensive rail service and began a well-planned systematic withdrawal of the passenger business". Now, that is a pretty positive statement; you do not say that in our opinion the railways came to this decision. I was wondering if you could tell us how you were able to make such a positive statement that you knew the CPR had reached this decision and then began this well-planned systematic withdrawal?

Mr. TUFTS: I had a discussion with Mr. Green of the CPR who was the solicitor in 1962, and he advised that we were fighting the abandonment of a passenger service going into the South Saskatchewan project, and we felt the need would be there. His statement was at that time that in Saskatchewan, or in western Canada, within five years you will find that you have one transcontinental service. This coupled with the fact that, presuming the CPR knows what they are doing, they must have come to a decision to get out of the passenger business because they have certainly done this in Saskatchewan. We are also giving them credit in stating that it is a systematic and well-planned rather than accusing them of a piece-meal abandonment.

Mr. OLSON: Do you think they are about on time with their plan?

Mr. TUFTS: It appears that way.

Mr. OLSON: You also say on page 3 that piece-meal abandonment has had a demoralizing effect upon railway employees. Do you believe that this has affected the attractiveness of the CPR passenger service.

Mr. TUFTS: Firstly, it has affected our city, and we still have not got over the demoralizing effect on the city and this is what we are trying to do. It has definitely had an effect. That is firstly—I will go into the question, but if you were an employee with the CPR and you did not know whether your job was going to continue two months, six months, a year, I do not think it could help but have a demoralizing effect. I mean this is the conclusion. You cannot plan your future, and you as members of Parliament should appreciate the situation at their end.

Mr. OLSON: Well, I am accepting that it is your opinion that it has a demoralizing effect on the employees but what I am asking you is this, if employees were demoralized, that it would downgrade the attractiveness of the service.

Mr. TUFTS: If you can enter a job in the morning, knowing that the job you are doing is worthwhile and is going to end in something good, then I think your attitude is going to be altogether different. If you are going tomorrow to work and say, "by golly, is my job going to be here", you know how long it is going to be, I think, that the effect that this could even have on the public, even unconsciously, you know, could affect the rail service but I do not—

Mr. OLSON: You think this would have an effect on the efficiency of this employee even while he was on the job.

Mr. TUFTS: I even feel so strongly that if the CPR, for instance, does not want me for a passenger and they have almost indicated that, I do not want to go on the rail line. I would rather drive to Regina and go by CNR because I do not feel they want to serve me, and I think that this whole attitude has certainly hurt the passenger business.

Mr. ANDRAS: I want to come back to this line of thought on national policy, and the agency that first develops such a policy and then administers it. You are well aware that to be all embracing, this would cross some jurisdictional lines and get into the area of some provincial authorities. Highways is an instance. Probably in order to work, this would have to be relegated to the authority of the federal government. We find in many of these problems that this provincial-

federal jurisdictional thing is a tricky business. Would you advocate within a province, for instance, that the provincial government surrender this particular right to the federal government in the interests of a better policy?

Mr. TUFTS: In the general well-being of the nation and coming under the clause that provides for this in the constitution, I think that the provinces would be pleased to have this. In fact, out of an interprovincial conference which was held in 1962, this was one of the suggestions, namely that an advisory committee be set up to the Board of Transport Commission, but I think the policy making and the administrative body might have to be two different bodies; I do not know. When you have to go out and hear the type of hearings that you have when a railway wants to discontinue service it is altogether different from the policy making, so I think the policy making should be laid out and then the administrative body follow it through.

Mr. ANDRAS: Would you agree that the policy making body should to the largest degree possible, except for ultimate authority, be kept out of the direct political arena. The policy-making body, I am talking about now. It must ultimately be responsible to Parliament, I would think.

Mr. TUFTS: It must be kept out of the political arena.

Mr. ANDRAS: And it has been suggested, and I would like your opinion, that this should be perhaps made up of regional representation as well as an over-all one.

Mr. TUFTS: This is what the conference felt, that there should also be people in an advisory capacity from the provincial government. I think it could well be taken over in the national interest, but I think it should be an all-party committee, so that it is taken out of the arena of politics.

Mr. ANDRAS: Perhaps I should know this but I do not, the interprovincial conference on rail line abandonment of 1962 is the conference you are referring to at which this came up?

Mr. TUFTS: This is correct.

Mr. ANDRAS: Are there documents from that which would be available?

Mr. TUFTS: I have a copy here that I am sure I can leave with you.

The CHAIRMAN: Oh, there is no need for that Mr. Tufts; we will make a note to the clerk to see that copies are made available to members of the Committee.

Mr. TUFTS: I think it was an excellent conference and addresses were made by various ministers to the conference as I recall it.

Mr. ANDRAS: One further question, and that is it. Even with this rationalization it is conceivable that an uneconomic line would have to be kept operating in the public interest? In the case of the CP railway would you feel that this should be subsidized by the government or should it be wrapped up into a total profit package related to their 1881 agreement?

Mr. TUFTS: They might have to come to some agreement between all transportation systems and I think it should be on an equitable basis. I do not think I am prepared to answer who should assume the costs if the service has to be provided then it has got to be paid for by somebody, and I believe one of

the problems is that the CPR gains generally from the over-all main line service, even though they might not lose on a branch line, which the Board of Transport Commissioners has not considered.

Mr. MACEWAN: Would the body that you mentioned be just in regard to rail service alone?

Mr. TUFTS: No, it would have to be an all-transportation system.

Mr. MACEWAN: All types?

Mr. TUFTS: For instance, you mentioned it, I think, or it was mentioned today, like the jumbo plane, and having two areas covered by one rail service when other areas have no rail service—these are the types of things which have to be clarified as soon as possible to save our whole transportation system and this is why I suggest rationalization of all transportation media, with policy laid out by an all-party committee I think it would be an ideal situation.

Mr. MACEWAN: Then, are you suggesting that the Board of Transport Commissioners, the Air Transport Board and the Canadian Maritime Commission should continue in the present form along with this other type of—

Mr. TUFTS: No, you cannot be talking about competition between airplanes and railways even as it affects one particular company, which has been done. You have to look at it within the general scope of the national transportation system, and this is all that we ask. So in answer to your question, I think they all have to be brought under one policy making committee.

The CHAIRMAN: Thank you. Mr. Reid.

Mr. REID: My questions were asked by Mr. Andras.

The CHAIRMAN: Mr. Pascoe.

Mr. PASCOE: Mr. Chairman, I think Mr. Tufts has answered quite clearly the questions arising from this brief. There is just one point for clarification on page 3, when he says "we know that people within the Moose Jaw trade area actually go to Saskatoon or Regina to make use of CNR rail passenger facilities rather than use the CPR facilities in Moose Jaw." Do you mean by that there is no accommodation available or the inconvenience of the service or time schedules are forcing them to do this?

Mr. TUFTS: Well, partly I think there is a difference in cost which has been presented to the Committee today, and I also think there has been a difficulty in obtaining reservations in Moose Jaw that does not apply to Regina. I think the CNR through advertisement has made people want to travel their line, whereas the CPR has made many of us feel, "by golly if they do not want to carry us we do not want to go." I do not know if this is a personal feeling or how far it goes but we do know that people go to travel on the CNR to Regina rather than the CPR.

The CHAIRMAN: Well Mr. Tufts thank you very much for the presentation of your brief and the answers you have given to the questions. We appreciate your brief and although we did make some joking remarks to begin with we think it is very important that the political associations do present briefs to these committee hearings. Thank you very much.

Gentlemen before we adjourn there are a few things that should be pointed out. First of all, as far as today is concerned, I do bring to your attention that 14 briefs have been heard from the city of Moose Jaw, the surrounding districts and the city of Regina. This, of course, shows the interest of the area and of the province of Saskatchewan in this very important matter of transportation as a whole. Time of arrival tomorrow in Brandon is 9.40 a.m. that is, local time. We move ahead an hour. The schedule says 8.40, but that is standard, and checking with Brandon tonight we arrive, their time 9.40 a.m. The Committee starts hearings at ten o'clock, so I would urgently ask that breakfast be served early tomorrow morning and that everyone be ready to leave at a quarter to ten for the hearing which will be at the Court House on 11th Street and Princess Avenue.

Now I do at this time want to again extend our thanks to Mayor Lewry for his very kind hospitality while we have been in the city of Moose Jaw, to the city itself and to the local member, Mr. Pascoe, for the hospitality that he has extended to us also while we have been here.

Tomorrow in Brandon, we had indication beforehand I do not know what happens when we get there, there will be two briefs, the Brotherhood of Railroad Trainmen and Mr. N. S. Bergman, Transportation Committee of the Chamber of Commerce and in his capacity as vice-president also of the Manitoba Chamber of Commerce. Those are the only notifications we have of briefs. I do not know, as we did not know here at Moose Jaw, what we will encounter when we arrive there.

We received a telegram yesterday from the city clerk of the town of Brandon advising that the city council will be hosts to this committee at 12.30 noon for lunch. However, we will have to play that by ear again as to how we proceed with our hearing.

We intend to leave Brandon tomorrow as soon as the brief is heard. We should be finished with the briefs in the morning if these are the only two and attend a luncheon and be able to proceed to Winnipeg right after the luncheon. I would ask that everyone again arise early in the morning, calls will be made early for breakfast, dress and out by quarter to ten.

Mr. Rock: Mr. Chairman, when we leave Brandon what type of communication will we use?

The CHAIRMAN: We will be leaving Brandon probably by bus to Winnipeg because we have to arrive in Winnipeg early tomorrow afternoon, and the train would be arriving at such an hour that it would not be convenient for our purposes.

Mr. Rock: Will we have to pack them?

The CHAIRMAN: No there will be no packing. Everything will be left on the train and we will meet the train in Winnipeg when we arrive.

Mr. Rock: Does this mean that we should be ready with our brief cases: when we get off, our train is on its way. This is what I want to get straight.

The CHAIRMAN: We will leave the train, our cars will remain, and we will be taken on to Winnipeg and we will meet the cars in Winnipeg.

Mr. BOULANGER: Mr. Chairman—

The CHAIRMAN: Just a moment Mr. Boulanger please, I am not finished. To brief you beforehand we have indications that 8 briefs will be presented in Winnipeg and again we do not know what we will encounter when we arrive there, so that unless there is something very important to discuss I will move for an adjournment, Mr. Boulanger.

Mr. BOULANGER: I do not want to leave a bad impression of the committee or of you. I just want to tell the Mayor and everyone here that what has just happened a few minutes ago, I did not mean any wrong and I am very happy I am travelling with the best members of the House of Commons, we have a good Chairman, and I am very satisfied.

Mr. LEWRY: I just want to say again it was a pleasure to have you here particularly the members from Quebec. Those who have not been here before, Prosper, it has been a pleasure to serve you and we hope you will come again and stay a little longer when you have got 14 briefs to listen to.

The CHAIRMAN: We may like to leave him here permanently with you.

APPENDIX "S"

Submission of
The Government of the Province of Saskatchewan
to the
House of Commons Standing Committee
on Transport and Communications
in the Matter of the
Discontinuance of the "Dominion" passenger service
of the Canadian Pacific Railway Company

The Honourable Gordon B. Grant, M.L.A.
Minister of Highways and Transportation

Regina, Saskatchewan

May 11, 1966

HOUSE OF COMMONS STANDING COMMITTEE
ON TRANSPORT AND COMMUNICATIONS

IN THE MATTER of the discontinuance of "The Dominion" passenger service of the Canadian Pacific Railway Company—Train Numbers 3, 4, 13 and 14.

SUBMISSION OF THE PROVINCE OF SASKATCHEWAN

This submission reiterates the original stand taken by the Government of Saskatchewan before the hearings of the Board of Transport Commissioners in Regina, October, 1965, and with a subsequent petition of the Province appealing the Board's decision of January 7, 1966, which resulted in the almost immediate suspension by the Canadian Pacific of its "Dominion" passenger service. A copy of the original submission is appended hereto.

Area Served

The Canadian Pacific mainline passenger service crosses the geographical southern half of the populated area of Saskatchewan in which are located approximately 426,000 people representing more than 45 per cent of the total population of the province.

More than 217,000 people in Saskatchewan reside in cities, towns, villages and rural municipalities traversed by the line. There are also 209,000 people tributary to the service.

Saskatchewan's Stand

1. Except for the months of July and August, "The Dominion" passenger service prior to discontinuance was reduced from its former status of a

continental service to a mere series of connected local services. For this reason Saskatchewan restricts its concern to only that portion of the service affecting Saskatchewan residents.

2. In Saskatchewan "The Dominion" consisted of only passenger coach travel which, nevertheless, provided an important local service to a substantial number of Saskatchewan residents. A local passenger service, therefore, should be maintained which is at least equivalent to that formerly provided by "The Dominion".

3. The utilization of "The Dominion" passenger service by Saskatchewan residents was as high as that for any area along its entire route. Alternative service of "The Canadian" is entirely unacceptable due to the unattractive early morning scheduling of "The Canadian" through Saskatchewan communities both eastbound and westbound.

4. The utilization of "The Dominion" service by a large number of Saskatchewan residents was testimony of the preference local people had for rail passenger service over good adjacent highway services and indicated that the timetables should have been re-scheduled to meet local needs rather than to satisfy the dictates of what had formerly been a bonafide transcontinental service.

A Proposal by Saskatchewan

The Province of Saskatchewan proposes that the local services provided by "The Dominion" be reinstated and improved. The manner in which these services are reinstated and maintained are the responsibility of the railway company and in this regard Saskatchewan offers the following constructive suggestions:

- (1) The Canadian Pacific establish a local passenger service designed to serve the prairies in the most effective manner possible.
- (2) Investigation be made into providing a type of rail passenger service which is both economic and adaptable to local needs. It would appear that a "dayliner" service would meet these requirements. Timetables should be designed so as to be most attractive to Saskatchewan passengers.
- (3) The reinstated passenger service be provided over a fixed period of time so that an assessment can be made of the efficiency of and demand for a passenger service revised to accommodate local needs.
- (4) A vigorous promotional program should be embarked upon to advertise the advantages of the local passenger service to Saskatchewan residents.

All of which is respectfully submitted this 11th day of May, 1966.

THE PROVINCE OF THE PROVINCE OF SASKATCHEWAN

The Honourable Gordon B. Grant, M.L.A.
Minister of Highways and Transportation.

APPENDIX

Submission of

THE GOVERNMENT OF THE PROVINCE OF SASKATCHEWAN
TO THE BOARD OF TRANSPORT COMMISSIONERS FOR CANADA

Relating to the

APPLICATION OF CANADIAN PACIFIC RAILWAY COMPANY
FOR DISCONTINUANCE OF THE "DOMINION"

The Honourable Gordon B. Grant, M.L.A.

Minister of Highways and Transportation

Regina, Saskatchewan

October 14, 1965

BOARD OF TRANSPORT COMMISSIONERS
FOR CANADAIN THE MATTER of Canadian Pacific Railway Company's
trains Numbers 3, 4, 13 and 14 known as the "Dominion" and
related matters.

SUBMISSION OF THE PROVINCE OF SASKATCHEWAN

1. *Introduction*

The basic interest of the Province of Saskatchewan in the continuance of railway passenger service by the "Dominion" was expressed by Resolution No. 14 passed unanimously by the Legislative Assembly of Saskatchewan on April 13, 1965 when it was first publicly suggested that this service might be abandoned. This resolution reads as follows:

"That this Legislature register its disapproval of any action that would result in the discontinuance of passenger service provided by the Canadian Pacific Railway transcontinental trains numbers 7 and 8 (The Dominion); and request the Government of Canada to undertake all steps possible to assure that these trains are not withdrawn."

In addition, representations have been made to the Board by more than 40 municipalities, Boards of Trade and other organizations and individuals affected by the proposed discontinuance requesting continuance of passenger service by the Canadian Pacific.

The concern of the Legislative Assembly and Government of Saskatchewan as well as all others making representations is understandable in view of the large proportion of the province serviced by the mainline of the Canadian Pacific. More than 217,000 people reside in the cities, towns, villages and rural municipalities traversed by the line as is shown by Schedule "A". The whole

southern part of Saskatchewan, bounded by a line following the South Saskatchewan and Qu'Appelle rivers, is tributary to the main Canadian Pacific line. The population of this area is approximately 426,000, more than 45 per cent of the total population of approximately 951,000. Particulars of this population are given in Schedule "B".

The proposal to abandon this service has real opposition among the people of Saskatchewan and more particularly among those who will be adversely affected. The Government of Saskatchewan, speaking for its people, opposes the discontinuance of the "Dominion" and desires to advance suggestions for the continuance of this necessary passenger service in the province.

2. *Position of the Province of Saskatchewan*

While opposing the discontinuance of the service now provided by the "Dominion" in Saskatchewan, the province is in no position to comment upon the effects of such discontinuance in other parts of Canada. All the facts and issues relating to the present transcontinental service are not known and the Province of Saskatchewan will abide by the Board's determination on whether and to what extent this service should be carried on outside Saskatchewan. The Province of Saskatchewan limits its submission to the request that local passenger service be maintained on the mainline of the Canadian Pacific in Saskatchewan which is at least equivalent to that now provided by the "Dominion".

3. *Description of the Existing Service Provided by the "Dominion"*

Except for the months of July and August, the present service of the "Dominion" can in no sense be described as a transcontinental service. It is nothing more than a connected series of local services.

(a) *Equipment and Facilities*

In the Province of Saskatchewan this local service consists of only passenger coach service. No sleeping or dining car service is provided and does not carry express, mail or freight.

(b) *Saskatchewan Stops*

"The Dominion" has 15 stopping places in Saskatchewan. Running from east to west these are:

Fleming	—	Stops on request to detrain or entrain passengers to or from Winnipeg and east and to or from Regina and west.
Moosomin	—	Scheduled stop.
Wapella	—	Scheduled stop.
Whitewood	—	Scheduled stop.
Broadview	—	Scheduled stop.
Grenfell	—	Stops on request to entrain or detrain passengers to or from Broadview and east and to or from Regina and west.

Wolseley	—	Stops on request to entrain or detrain passengers to or from Broadview and east and to or from Regina and west.
Indian Head	—	Scheduled stop.
Regina	—	Scheduled stop.
Moose Jaw	—	Scheduled stop.
Morse	—	Stops on request westbound only to detrain passengers from Winnipeg and east and entrain passengers for Medicine Hat and west.
Herbert	—	Stops on request westbound only to detrain passengers from Winnipeg and east and entrain passengers for Medicine Hat and west.
Swift Current	—	Scheduled stop.
Gull Lake	—	Scheduled stop.
Maple Creek	—	Scheduled stop.

(c) Timetables

Although fixed in relation to transcontinental scheduling requirements, the timetables provide a reasonable opportunity for public use of the service in Saskatchewan.

Westbound, "The Dominion" arrives at:

Moosomin at 3:18 p.m.

Regina at 7:15 p.m.

Swift Current at 10:30 p.m.

Eastbound, it arrives at:

Swift Current at 5:05 a.m.

Regina at 9:05 a.m.

Broadview at 12:15 p.m.

Fleming at 1.38 p.m.

(d) Summary

"The Dominion" provides a local passenger service for 15 important Saskatchewan centres on the Canadian Pacific mainline. The limited equipment used in Saskatchewan appears adequate to the needs of such local passengers. The present schedules are not established to provide the maximum of conveniences for Saskatchewan local passengers. Nevertheless, the service is used by and is important to a substantial number of Saskatchewan passengers.

4. Effect of Abandonment of "The Dominion" Passenger Service on Saskatchewan People

(a) Large Numbers of Saskatchewan Passengers Served

The abandonment of the local passenger service of "The Dominion" will cause inconveniences and hardship to the large number of people who now use it in Saskatchewan. The statistics filed by Canadian Pacific

indicate that a heavy volume of passenger traffic was carried on this train, through Saskatchewan in 1964, as follows:

Westbound	
Brandon to Moose Jaw	43,861
Moose Jaw to Medicine Hat	36,162
Eastbound	
Medicine Hat to Moose Jaw	36,214
Moose Jaw to Brandon	45,895

The utilization for the Saskatchewan service appears as high as for any points on the entire route of "The Dominion" shown and higher than for most points, notwithstanding that the service consisted for 10 months of the year of only passenger coaches.

(b) *"The Canadian" Offsets No Acceptable Alternative Service to Saskatchewan Residents*

The problem of "The Canadian" in serving Saskatchewan arises from its timetable which both eastbound and westbound runs through the Province at night. Eastbound it arrives at Regina at 3:25 a.m. and westbound at 4:47 a.m.

The insertion of three additional stopping places in its Saskatchewan schedule could not possibly make this service more acceptable as a local service in Saskatchewan. As long as "The Canadian" travels through the Province at night, it has no use as a local passenger service. Since it has become, in effect, the only transcontinental service of the Canadian Pacific, the inconvenience of its timetable has to be accepted by residents of the Province. Undoubtedly, the timetable inhibits patronage by Saskatchewan transcontinental travelers.

This heavy utilization of "The Dominion" service shows that a substantial number of people in Saskatchewan bear a strong preference for and reliance on railway passenger service despite the existence of good highways and bus services. It is considered that its main attraction is to bring passengers to and from the main centres of Regina and Moose Jaw. It is also considered that such service would be even more attractive if scheduling was arranged primarily to meet the convenience of such local Saskatchewan passengers and was not restricted by the demands of a transcontinental timetable.

i. *Proposal of the Province of Saskatchewan*

For the reasons stated above the Province of Saskatchewan makes no proposal with respect to the continuance of present services of "The Dominion" in other parts of Canada.

The concern of the Province is that the present local services of "The Dominion" in the Province be continued and improved. It is important that these services be regarded in their true light as local services and that they should be adapted, if possible, more to the needs of the public in Saskatchewan.

The best way to maintain these services as local services must, of necessity, be left to the railway company. From the information available to the Province

of Saskatchewan, it appears that the following constructive suggestions can be made:

- (a) A local passenger service should be established for the prairies. It should be in such form as Canadian Pacific feels would be most effective to provide maximum convenience and attractiveness to the Saskatchewan public.
- (b) Less expensive equipment of the "Dayliner" type, which is also less expensive to operate, should be employed in the services.
- (c) The timetables should be established on the basis that will make the services most attractive and useful to Saskatchewan local passengers. At present, the timetables, governed by transcontinental requirements, do not provide the maximum convenience to Saskatchewan travelers. Revised and more attractive schedules would undoubtedly increase patronage.
- (d) Such revised local services should be vigorously promoted. At present, there does not appear to be any attempt to promote local service traffic in Saskatchewan on "The Dominion". Proper promotion of services designed to serve Saskatchewan local passengers would lead to greater patronage.

All of which is respectfully submitted this 11th day of May, 1966.

THE PROVINCE OF SASKATCHEWAN
The Honourable Gordon B. Grant, M.L.A.
Minister of Highways and Transportation

SCHEDULE "A"

Town	Urban Population	Municipalities and Number	Rural Population	Total Population
Fleming	212			
Moosomin	2,200	Moosomin # 121	833	3,245
Wapella	598	Martin # 122	759	1,357
		Silverwood # 123	1,250	1,250
		Kindersley # 124	1,220	1,220
		Rocanville # 151	1,055	1,055
Whitewood	1,010	Willowdale # 153	948	1,958
Broadview	1,015			
Grenfell	1,226	Elcapo # 154	1,240	3,481
Wolseley	1,020	Wolseley # 155	953	1,973
Indian Head	1,815	Indian Head # 156	1,020	2,835
Qu'Appelle	580	South Qu'Appelle # 157	1,865	2,445
		Edenwold # 158	1,800	1,800
		Sherwood # 159	1,140	1,140
Regina	126,700			126,700
		Pense # 160	705	705
Moose Jaw	34,500			34,500
		Moose Jaw # 161	3,617	3,617
		Caron # 162	1,036	1,036
		Wheatlands # 163	456	456
		Chaplain # 164	675	675
Morse	512			
Herbert	1,067	Morse # 165	671	2,250
		Excelsior # 166	1,475	1,475
		Coulee # 136	1,193	1,193
Swift Current	12,900			12,900
		Swift Current # 137	2,147	2,147
		Webb # 138	750	750
Gull Lake	1,100	Gull Lake # 139	450	1,550
		Carmichael # 109	665	665
		Piapot # 110	466	466
Maple Creek	2,350	Maple Creek # 111	588	2,938
Total	188,805		28,977	217,782

SCHEDULE "B"

CENSUS SUBDIVISIONS—1961

Division	Total
1	38,875
2	33,760
3	28,245
4	17,925
5	32,935
6	152,042
7	61,340
8	41,328
Total	<hr/> 406,450 <hr/>
Total 1965 estimate	<hr/> 426,450* <hr/>

* Increased by 4.9 per cent to correspond with total DBS provincial population estimates from 1961.

APPENDIX "T"

Brief from the Village of Coderre and surrounding municipalities in the Province of Saskatchewan presented by Mr. I. H. Coderre.

I. Introduction

1. The citizens of the village of Coderre have been informed that the Canadian Pacific Railway Company intends to deprive them of even the limited transportation facilities they have enjoyed until now. At public hearings and otherwise, the citizens of Coderre have voiced strenuous objection to this proposed move. I wish to associate myself with all those individuals and organizations who have objected to the announced CPR policy. We consider this policy undesirable, and actually harmful to the interests of the village of Coderre, and thereby also to other people in the Province of Saskatchewan.

2. The reason advanced by the Canadian Pacific Railway Company for depriving the village of Coderre of adequate railway service reduces to a drop in earnings. We have been advised by the company that, in 1963, earnings at Coderre from other than carload lots totalled \$4,983. The corresponding figure for the year 1964 is reported to have been \$3,967. The company also claims that their costs at Coderre exceed their earnings by approximately \$1,300 per year. We consider this reason as totally inadequate for depriving Coderre of adequate railway service.

II General Considerations

3. We want to point out, first of all, that to our knowledge, there is no provision, either formal or implied, in any contract between the Government of Canada and the Canadian Pacific Railway Company, that a line shall be maintained at a given point only if railway earnings exceed costs at that particular point, by a stated amount and for a stated period of time. The Canadian Parliament, on behalf of the Canadian people, extended an imposing list of material benefits to the Canadian Pacific Railway Company at the time of its organization in 1881. The basic subsidy comprised \$25 million and 25 million acres of land. The utmost care was taken to insure that the land should be of good quality. A number of further concessions has been made to the company, each concession of undoubted monetary value. By the end of 1964, cash subsidies granted to the Canadian Pacific Railway Company by federal, provincial and municipal authorities were in excess of \$106 million. At the same time, and grants made to the company added up to approximately 44 million acres. Total investments of the Canadian Pacific Railway Company, as of 31 December, 1964, added up to \$446 million. Total assets of the company as of the same date amounted to \$1,988 million. In such a vast structure, it is inevitable that there will be some stations which, at one time or another, will show no profit, or a loss, while other stations show substantial and increasing profits.

4. There can be no doubt that the flourishing state of the company today is due to a very large extent to business flowing in from all stations taken together—the large ones as well as the small ones. It is this total business, the cash subsidies and the land grants made to the company by the Government of Canada, which have enabled the company to acquire the tremendous assets it now has in various areas other than railway transportation. For this reason, it is inconceivable that, at the present time, the company should seriously consider curtailment of railway services of one kind or another, because certain types of operation, or certain localities, have indicated a deficit, rather than a net profit, over a period of one or two years, or even over a longer period of time. We venture to say that the intent of the original contract between the Government of Canada and the Canadian Pacific Railway Company was to equip the country with an integrated and efficient railway system, and to maintain this system in operation for the benefit of the people of Canada, without setting a time limit to it. The intent of that contract was not, and could not have been, to maintain company profits from all stations at a maximum, for an indefinite period of time. There can be, and there are, ups and downs in every business, and possibly in every aspect of a given business. This may actually have been the case of railway operations in Coderre over the period 1958-1964, judging by data on earnings which have been supplied to us by the office of the CPR superintendent in Moose Jaw. The company should not be allowed to take a short range view of such matters. Discontinuation of railway services to Coderre cannot help but exert a destructive effect on community life and on the economy of the village. The damage which may result could not possibly be repaired by vague expectations that, in the end, everything will turn out to be all right, for, in the meantime, many young people will likely decide to move away to other centers, and Coderre will stagnate or wither away.

III. *Local Considerations*

5. As regards the village of Coderre, it is important to realize that there is a functional relationship between the economy of the area and the operation of the railway, which is a dominant business enterprise there. Coderre lies on a grid road; there is no all-weather highway leading into the village. In a blizzard, or during a road ban, the railway is the only means of transportation available for freight as well as for passenger traffic. The community has been unfavourably affected following the change in schedule, in 1958, when the number of trains was reduced from two to one per week. The situation is rendered still more unfavourable by the fact that, under the present schedule, there is no train from Moose Jaw into Coderre on Fridays. This means that no freight can be shipped on Fridays to Coderre merchants for weekend sales, unless shipments are made by truck. In a blizzard, or during a road ban, such shipments are impossible, and, as a result, trading in Coderre has suffered considerably.

6. If, now, railway services are further curtailed or suspended, greater losses to the economy of the village of Coderre are inevitable, eventually leading to complete economic paralysis. It must be emphasized, also, that there is no bus service into Coderre, which makes passenger traffic depend on the

railway to a larger extent than may be the case in other communities. Neither can the people of Coderre view with indifference the removal of the only telegraph operator from the village.

7. When Coderre had two trains per week, prior to 1958, the Canadian Pacific Railway Company made a profit on all operations. The apparent deficit during the last two years, cannot be interpreted as an indication that earnings at that point will inevitably continue to decline in the future. As a matter of fact, *total* earnings at Coderre, in 1964, although somewhat lower than in 1963, were higher than earnings in any single year, since at least 1958. (The "years" 1958, 1963 and 1964, referred to in this connection, represent 12-month periods starting, in each case, with the month of June.) It should be noted, too, that total railway earnings of the Company, in 1964, were up 8.2 million dollars from 1963.

8. Coderre is a village with growth potential, as may be seen from the following population trend:

Census	Population
1931	185
1941	224
1951	201
1961	229

This trend is definitely encouraging when compared to the population trends observed in other communities of a comparable size.

IV. Conclusion

9. In conclusion, I should like to hope that the Committee will decide to recommend that no further reduction of railway services to the village of Coderre be allowed by the Government of Canada since

- (i) such reduction is *unnecessary* for the successful operation of the Canadian Pacific Railway Company;
- (ii) such reduction is bound to have unfavourable economic and social effects for the inhabitants of the village of Coderre;
- (iii) the policy reflected in the proposed reduction is contrary to the intent of the original contract signed between the Canadian Pacific Railway Company and the Government of Canada; and also contrary to the interests of other people in Saskatchewan.

APPENDIX "U"

BRIEF TO THE HOUSE OF COMMONS COMMITTEE

on

TRANSPORT AND COMMUNICATIONS

FROM THE

REGINA CCF METRO COUNCIL

PRESENTED AT

PUBLIC HEARINGS, MOOSE JAW, SASKATCHEWAN,

MAY 11, 1966.

CANCELLATION OF THE TRANSCONTINENTAL TRAIN "THE DOMINION" BY THE CPR

On behalf of the citizens of Regina we wish to protest against the cancellation of one (of two) transcontinental trains stopping at Regina.

We believe that this railway company has a moral obligation to not only reinstate this train but to attempt to improve its passenger service everywhere in Canada. That service is no better than it was twenty years ago, generally speaking, and cancellation of trains makes it much poorer.

The obligation mentioned is due to the favoured treatment rendered this company in the past. This wealthy corporation, controlling an organization set up to give extensive and varied services, owes its physical assets to (1) gifts from the Government of Canada; (2) over-charges to the consumers of this country.

It received originally a subsidy of twenty-five million dollars, at today's level worth at least one hundred million dollars.

It was granted twenty-five million acres of land, worth today at a low average price one billion dollars.

It was given two sections of completed (by the Canadian government) track through difficult terrain, i.e. Port Moody to Kamloops and Fort William to Selkirk, worth a great deal of money today.

The government threw in the cost of surveys costing thirty-seven million dollars, which would cost more than one hundred and twenty million dollars today.

In addition, it received an exemption from customs and taxation of construction material, both for twenty years.

At today's values the total of all these benevolences would be at least one billion eight hundred million dollars. We wish to point out that it is at least as fair to calculate the benefits received at today's values as to claim unsurmountable difficulties under today's conditions.



\$6,000		$\frac{1}{2}$	$\frac{1}{2}$		$\frac{1}{2}$	$\frac{1}{2}$	\$6,000
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(ORIGINAL MAP ON FILE IN THE CLERK
OF THE COMMITTEE'S OFFICE)

This company has never been, nor is it now, an independent "free enterprise" undertaking. Originally built only through the aid of the government, this railway enjoyed for a long time a monopoly of transportation of goods and people to Regina. As the monopoly privilege disappeared, a backlog of wealth enabled this railway to build up a travel system of railway and steamship lines, hotels and air routes along with an extension into industry with resulting profit to its owners.

May we point out then that the property of the CPR has during the past 80 years been acquired from four sources: (a) government gifts; (b) payment for services; (c) under-payment for labour; (d) financial investments. It would be extremely interesting to deduct from the net value of the corporation's assets the amount of actual cash invested in the company since its founding.

We believe then that this railway company should make an earnest effort to win back passenger traffic east and west across the prairies by: (a) reinstating the Dominion; (b) improving service through faster and more comfortable trains on a smoother roadbed as is done in several other countries; (c) more attention to passengers as on ships and airplanes.

As the CPR evidently has thrown up its corporate hands in resignation, we believe the Government of Canada should intervene on behalf of the people of Western Canada.

Respectfully submitted,
G. L. A. Daverne,

President,
Regina CCF Metro Council.

STANDING COMMITTEE
ON
TRANSPORT AND COMMUNICATIONS

Chairman: Mr. Joseph Macaluso

Vice-Chairman: Mr. H. Pit Lessard

and Messrs.

Andras,	Fawcett,	Olson,
Ballard,	Horner (<i>Acadia</i>),	Pascoe,
Bell (<i>Saint John-Albert</i>),	Howe (<i>Wellington-</i>	Reid,
Boulanger,	<i>Huron</i>),	Rock,
Byrne,	Hymmen,	Saltsman,
Cantelon,	MacEwan,	Sherman,
Caron,	McWilliam,	Southam,
Carter,	O'Keefe,	Thomas (<i>Maisonneuve-</i>
		<i>Rosemont</i>)—(25).

(Quorum 13)

Maxime Guitard,
Clerk of the Committee.

MINUTES OF PROCEEDINGS

THURSDAY, May 12, 1966.

(25)

The Standing Committee on Transport and Communications met at 10:45 o'clock a.m. C.D.T. at the Court House in the City of Brandon, Manitoba. The Chairman, Mr. Macaluso, presiding.

Members present: Messrs. Andras, Ballard, Bell (*Saint John-Albert*), Boulanger, Byrne, Cantelon, Caron, Carter, Fawcett, Howe (*Wellington-Huron*), Hymmen, Lessard, Macaluso, MacEwan, McWilliam, O'Keefe, Olson, Pascoe, Reid, Rock, Stalsman, Sherman and Thomas (*Maisonneuve-Rosemont*)—(23).

In attendance: Their Worships, Mayors: S. Magnacca, of Brandon, Manitoba; H. Henderson, of Portage La Prairie, Manitoba; H. J. McNeil, of the Town of Virden, Manitoba; Aldermen of the City of Brandon, Manitoba: Terry Penton; G. D. Box and A. D. Burneski.

On opening the meeting, the Chairman extended his congratulations to Hon. W. G. Dinsdale, local member of Parliament, and to his wife, on the occasion of the birth of their son.

The Committee resumed its consideration of the subject-matter of the adequacy of the present program and future plans for passenger service on the lines of the Canadian Pacific Railway.

The first witness to be called upon was His Worship Mayor S. Magnacca. He read a brief and was questioned thereon.

His examination being completed, Mayor Magnacca retired after being thanked by the Committee, through the Chairman.

The Chairman then invited Mayor H. Henderson to make an oral representation before being questioned thereon.

The Committee having concluded its examination of the witness, Mayor Henderson was thanked by the Chairman and he retired.

His Worship Mayor H. J. McNeil was called. He read a brief before being questioned thereon.

His examination being concluded, the Chairman thanked him and he retired.

The next witness be called upon was Alderman Terry Penton. He read a brief before being questioned thereon.

The examination of the witness being completed, the Chairman thanked Mr. Penton who retired.

Then, Alderman G. D. Box was called. He commented on his brief which has already been printed as Appendix "I", in issue No. 7, page 485 and following. His examination followed.

The examination of the witness being completed, the Chairman thanked Mr. Box who retired.

Alderman A. D. Burneski was then called upon. He read his brief before being questioned thereon.

His examination being completed, he was thanked by the Chairman and he retired.

At 1:05 o'clock p.m. C.D.T. the Committee adjourned until 2:30 p.m. this afternoon.

AFTERNOON SITTING (26)

The Standing Committee on Transport and Communications reconvened at 2:15 o'clock p.m. C.D.T. The Chairman, Mr. Macaluso, presided.

Members present: Messrs. Andras, Ballard, Bell (*Saint John-Albert*), Boulanger, Byrne, Cantelon, Caron, Carter, Fawcett, Howe (*Wellington-Huron*), Hymmen, Lessard, Macaluso, MacEwan, McWilliam, O'Keefe, Olson, Pascoe, Reid, Rock, Saltsman, Sherman and Thomas (*Maisonneuve-Rosemont*).—(23).

In attendance: Messrs. James C. Doak, Q.C., President of *Virden Community Development Corporation*; N. S. Bergman, Chairman of the *Brandon Chamber of Commerce Transportation Committee* and Vice-President of the *Manitoba Chambers of Commerce*. From the *Brotherhood of Railroad Trainmen*: Mr. Bro Bert Lane, retired passenger conductor.

The Cairman opened the meeting and invited Mr. Doak to read his brief before being questioned thereon. The examination of the witness being completed, the Chairman thanked Mr. Doak who retired.

The next witness was Mr. Bergman. The witness read part of a brief previously submitted to the Committee, and was questioned thereon.

The Committee having completed its examination of the witness, the Chairman thanked Mr. Bergman who retired.

On motion of Mr. MacEwan, seconded by Mr. Caron

Resolved unanimously:—That the Editorial intituled "The Dominion" published in the daily newspaper *The Brandon Sun*, dated Wednesday, May 11, 1966, be printed as an appendix to this day's Minutes of Proceedings and Evidence. (*See appendix "W"*).

Mr. Lane was the last witness to be called upon in Brandon, Manitoba. He read his brief and was questioned thereon.

The examination of the witness being completed, the Chairman thanked Mr. Lane who retired.

Closing the meeting, the Chairman thanked His Worship Mayor Magnacca for his hospitality and kindness.

At 4:02 o'clock p.m. C.D.T. the Committee adjourned until 10:00 o'clock a.m. C.D.T. to meet at the Legislative Building in the City of Winnipeg, Manitoba, on Friday, May 13, 1966.

Maxime Guitard,
Clerk of the Committee.

EVIDENCE

(Recorded by Electronic Apparatus)

Brandon, THURSDAY, May 12. 1966.

The CHAIRMAN: Gentlemen, we are happy again to have before us His Worship Mayor Magnacca of the City of Brandon.

His Worship was in Ottawa at the hearing when the Western mayors presented their briefs, and we are happy, Mr. Mayor, to be in your own home city.

You can go ahead with your presentation, sir.

Mr. MAGNACCA: Thank you, Mr. Chairman.

The CHAIRMAN: You do like to stand?

Mr. MAGNACCA: Yes, it gives everybody a chance to know that I am up and they are down!

Mr. Chairman, first of all I want to say welcome to you and to the members of the Committee here to the City of Brandon and to this part of the Province of Manitoba. We should have had you on that first trip when you passed here sometime ago. However, you are here this morning, and I hope that the presentations made here will be of some value to your Committee.

Mr. Chairman, I do not intend to read all the "bumf" I have got here! We used that word "bumf" before the Minister a few months ago in Ottawa, and I regret using the word, but "bumf" is a word which we were accustomed to using in the Army because of the piles of paper; it is not that it is a bad word. I hope that it is not misunderstood.

I want to start off, Mr. Chairman, by saying that since last Fall we have continually pressed the Government of the day, the Cabinet, the Prime Minister, the Cabinet Ministers, the Transport Board and everyone else, to the point where we have become almost exasperated by the run-around that this City has received. I use that word "run-around", because it is typical of the letters which we have received.

Mr. Crump states that the basic purpose of Board Order No. 118362, was to continue the "Dominion". This is dated September 15, 1965: "—seasonal changes in the consists of trains have made from time to time, the Board does not treat the Order as precluding the Company from initiating such changes. It may, of course, be spoken to at forthcoming hearings.

We have a letter here from the Special Assistant, Mr. Harris Arbique, from the Minister of Transport: "Mr. Pickersgill has asked me to acknowledge receipt of your telegram of September 15, advising him of the resolution of the Brandon City Council with respect to the reduction of elimination of passenger rail services. The Minister has noted the contents of this resolution and has

asked me to direct it to the attention of the Board of Transport Commissioners"—so endeth the lesson.

The Prime Minister of this country—and by the way, I do not intend to be personal; God only knows, the Prime Minister of this country has a tremendous responsibility, as have all the rest of the Members of Parliament—but he said "Dear Mayor Magnacca, I wish to thank you for the telegram of September 14 regarding the Canadian National Railway"—he meant the Canadian Pacific, of course—"Transcontinental train service. I have noted the representation to the City of Brandon, also that you have forwarded a copy of your telegram to my colleague, the Minister of Transport. Kind personal regards."

This goes on and on and on. Everybody acknowledges the telegram and it has been passed on to some one else, to the point where we do not know whom to talk to. We finally came to the conclusion that if we wired every Minister in the House of Commons we might get some attention. We received loyalty but we got nothing, either from the Prime Minister's office, or Mr. Pickersgill's office; and finally it was only this Committee that heard us and allowed us to say the things we wanted to say, and we were asked the questions you wanted to ask. But other than that, at no time, have we had the opportunity, before the Transport Board or the Ministers of this country. To me it is a terrible tragedy that we have come to such a point where we have to appear continuously before a Committee such as this to make our problems known.

I think you are all familiar, Mr. Chairman, with the fact that the abandonment of railways is not a new thing; it has been going on for so many months and years, that actually I think you have problems. But in case you have not I have these memoranda here for distribution if you would like to have them. Thank you.

These abandonments have been going on for so long that it seems like it is going to be inevitable that these railways are all going to disappear. CPR can say what it likes—the CNR likewise—but they have definitely stated from time to time that they are going out of passenger service. Yet you and I know that the CPR did not start with a shoestring. They started with money and property belonging to this country.

Therefore, Mr. Chairman, I shall read the brief and promise to have copies of this in your hands. I was not aware I was going to make the presentation myself this morning until sometime yesterday afternoon. However, I have three copies here, and I shall be pleased to give you one and I will leave one with anyone else.

Mr. Chairman and gentlemen, we come to you as representatives of the Committee at the first level of Government, representative of all the citizens, the manufacturers, the farmers, the labourers, retail trade and, basically and fundamentally, the thousands of citizens of our towns, villages and cities.

Basically the agreements of the Statutes of 1880 are no different today than they were in those early days. Let me tell you—and I will deviate for a moment—that I know of no industry that has received that kind of treatment since that day to this, where they got 25 million acres of land at \$25 million in cold cash. Movement of people and merchandise is vital to our way of life, more

especially in areas such as this. Villages, towns and rural municipalities are being done away with in the last few years as a result of railway abandonment, to the point where railways dictate what shall be and what shall not be, in our rural areas. The CPR has brought about much of its own downfall, in giving up much of their bread and butter business, such as the mail contracts and the express and other services, essential to their operations, plus the passenger service which they have degraded to an all-time level of discouragement to the general public.

We suggest, gentlemen, that you obtain an independent analysis of the CPR figures by hiring consultants in this field for the verification of their supposed overall loss.

Let us not treat too lightly the concessions given to this private railway in the way of land, mineral rights, rights-of-way and financial assistance, provided that they would keep their commitments to the people of this country. We are still paying for these concessions, because of tax exemptions given to them across Canada.

I want to repeat a few excerpts from the *Brandon Sun*, which I think is vital to the interest of all of us. This is on May 11—just last night's paper—and I suggest to the *Sun* that they make copies available to all the Members of this Committee plus a reserve supply, if necessary. "Those who dispute the CPR position, and this includes most of the people of Western Canada, feel that the CPR has a responsibility to the people of Canada by virtue of the tax on land concessions that were given to the railroad in 1880, \$25 million in cash and 25 million acres of land. These grants, it is contended, have given the CPR an obligation to provide necessary services even where such services are less than profitable. Two, what we really need to know is whether the CPR can act as a private company, like other private companies, in the absence of governmental direction. The CPR has chosen to presume it can, and in the absence of a national transportation policy it has fallen to the people to protest the railway's attitude, as a community which desperately needs increased transportation facilities. As a component of the industrial growth, Brandon needs "The Dominion". But beyond that, Brandon as part of Western Canada, needs a clear legislative definition of responsibility of the nation's railway. Without such definition, we face the withering away of vital services, and with the postponement of the City's future."

I quote an excerpt from the *Sun* on February 10, before we went down East in 1966. "The Board of Transport Commissioners has ruled that it will not require the CPR to operate the "Dominion" this summer. This is not unexpected. It is in fact consistent with the last decision of the Board which accepted, in principle at least, the railway's arguments for discontinuing the transcontinental railway".

In announcing its decision, however, the Board stated that the CPR would be required to keep the "Dominion" passenger equipment available for possible operation in the Summer of 1967. This seems far from consistent with the Board's earlier ruling, it will likely disappoint both the CPR and those people who had argued for reversal of January the 7th ruling. It appears that the Board of Transport Commissioners is operating a policy in a vacuum. Lack of

leadership from the Federal Government, lack of direction from the Minister of Transport, Mr. Pickersgill, and, above all, the lack of up-to-date legislation setting out a national transportation policy, have forced the Board of Transport Commissioners to make decisions and have a basis. The nation, and particularly the Prairies, which stand to suffer most from the cancellation of the "Dominion", can not wait much longer for the Federal Government to enact transportation legislation setting out the policies which would reconcile private interests and the needs of the people.

The Government cannot act too soon to halt the steady erosion of transportation services of the Prairie Provinces. As a region we are trying to grow, and the lack of national transportation policy stands most decidedly in the way.

I want to say, Mr. Chairman, that in reviewing the briefs that have been submitted to the various boards, committees, commissions, across this country, almost makes me wonder who is going to be able to read all this material that has gone through within the last six months. These are briefs that have been submitted to your Committee and the other Committees of the Government, and honestly and sincerely, why don't we get down to the fundamentals of the purpose for which we want the CPR to put back the "Dominion", rather than all the "ifs" and "whereases" and "what fors". You yourself, Mr. Chairman, were very courteous to us when we were down East with your Members. You knew what we said. We are simply repeating with many of the words we are going to say this morning, but we do hope that when you go back you will realize that we on the Prairies, have a commitment to our people because of the concessions that our forefathers have made to the CPR.

I would think that it would take three battalions of accountants to multiply the interest alone on the \$25 million since 1880 to now. It would take several weeks before they could give you an answer as to the amount of money that the CPR would be asked to refund to the Canadian Government and to its people.

The land alone: We talk in terms that we gave them \$25 million of land. Mr. Chairman, I am in the real estate business, even if you gave it away at \$10.00 an acre—today land has gone up. It now runs into the billions of dollars. How much of that property has been sold, and has it been diverted back to the purpose of helping us maintain the rail services which was originally the basis of giving them this grant? No, sir. They are today in every type of business, and railway passenger service has become merely an insignificant small part of their overall service.

I want to warn you, Mr. Chairman, this Committee and the CPR, that the railways will have to come back some day, crawling, to be in the position where they will be able to use these lines again when roads will not be able to cope with freight and passengers through buses, cars, etc. Mark my word, we will have divided highways for special trucks and cars. The railways will have begun transporting cars and trucks and merchandise. They must look forward. They have gone through two depressions, two great strikes; they have been through two great wars; and now they are telling us the passenger service of this country is not paying. In my business, Mr. Chairman, I cannot look at the individual department heads, my profits are not counted by the days of the week or the

month—they are counted by the year—and I do not look at the weakest department, I look at the strongest department to carry my accounts. I am sure the CPR are doing exactly the same for when they report as to the loss they always come to the passenger part of their complaints and say “We are losing money”. They are losing money to the extent that today, I can tell you Mr. Chairman, as recently as Monday morning, transportation reservations were not available for certain people both on CPR and CNR. If you want to do something ahead—and I am talking about the month of June, or the end of June—they will tell you exactly what you cannot have and only what they will give you in the way of reservations.

Mr. Chairman, that is a pretty serious business. This is the two great railroads of our country. They are the very essence of our breathing across this great Dominion. We are depending on the two railways to keep our communities in contact, yet if you go to the southwestern part of Manitoba, we have towns that are deserted because of the railway abandonment. Now that you have the copies, I hope you will make a real serious study of that, and, Mr. Chairman, I hope that when you go back that you will do a great amount of homework to give us some consideration, as Westerners.

I do not want to say, and repeat what I said before, that all the good things are in the East, because I understand that among you we have people from the far-flung parts of Canada; we are not talking in the sectionalism of provinces, we are talking as Canadians, across this great country; we are talking about the things that are good for every province in Canada. Why not? What is good for New Brunswick is good for British Columbia, and it is good for Manitoba. But you are strangling us to death in this Province by abandonments, continually. All these little beautiful towns—many of you and your parents, and grandparents were born in this part of the country and today if you want to take a train, you must come to Brandon, and Brandon has only one train going in and one out a day. So we drive you up to North Brandon, another twelve miles, and you are on the Prairies there. Believe me, it is dismal, when it is thirty below, waiting for a passenger train for what could be two or three hours. You are very fortunate, Mr. Chairman, that you were only a half an hour late this morning, whatever the excuses may be. We have that continual problem. For that I do not blame the CPR because it is something over which they do not have too much control.

I must tell you this, Mr. Chairman, and then I should leave. My wife and I had reservations on the CPR a few years back and we left Brandon on a beautiful day like this—and this is a wonderful morning. I think Easterners and Westerners ought to appreciate that Manitoba has a great amount of sunshine. It is very free, too! it is one thing that is not taxed!—we boarded this train and we thought that next morning we would be in Calgary. Mr. Calgarian where are you? What a beautiful city. We said “Oh, here is Calgary”. I said to my wife: “Look out the window and see where we are”. She lifted up the blind, and it said: “Alcorn, Manitoba”. There had been a wreck the night before. We lost all our reservations, right to the Coast, down to Seattle, down to California. I want to tell you that you only have to make one mistake in reservations and you have lost them all. The competition is so keen that you cannot even get an alternative.

This passenger service is so vital to us here in this community, and to all this part of the Province of Manitoba, that upon the railway schedules depends whether we can go to Winnipeg, down East, out West, to catch a plane. You name it, and this is what we have got to do. He have reached now the stage of "Canadian", if you can depend on it, or the CNR if you go to North Brandon in the early hours of the morning, which I do approximately once a week: five o'clock in the morning I get up and I catch the 6:10 or the 6:20 up to North Brandon. That is not good enough—not good enough for the community. If it is good enough now, I do not know why it was not good enough in years gone by, when the farmers were not as great in numbers as they are now. The communities are stronger now than ever. Industry is spreading through this Province. We need transportation now as never before; and the CPR and the CNR—and I am speaking specifically of the CPR—as a private company has a moral responsibility to the citizens of this community as they have to every community in the Dominion of Canada. With that, Mr. Chairman, unless there are some questions, I shall call it "quits" before my collar gets too tight, and my brains blow off the top!

The CHAIRMAN: Just have a seat for a moment, Mr. Mayor.

I do want to state, before there are any questions, that this Committee is on this trip, Mr. Mayor, with the unanimous approval of the Prime Minister himself, the Minister of Transport and the Government. We certainly could not have made this trip without the approval of the Government to expend the funds to make this fact-finding trip; and I can tell you from my own personal experience with it, that it was deemed to be a very important fact-finding trip.

As far as the homework of this committee is concerned, it has been working since early February and it has been doing its homework, and you would only have had to see us in Moose Jaw yesterday, listening to 14 briefs, morning, afternoon and evening, to realize that this Committee is certainly very concerned with the problem you have set forth here.

I do want to make one statement, though, before we continue with the questioning. I have been advised that the Member for Brandon-Souris, the Hon. Mr. Dinsdale, this morning had a new son, and this Committee is very happy to state that this is so. We offer to Mr. Dinsdale and his wife our sincere congratulations. Now questioning. Mr. Olson.

Mr. OLSON: Your Worship, without going into the matter of whether or not the CPR has an obligation, moral or legal, and without discussing, for the moment, the economics or the profit, is there a requirement for railway passenger service in and out of Manitoba beyond what the accommodation that is available today will meet?

Mr. MAGNACCA: The answer would be definitely yes.

Mr. OLSON: There are requests for reservations that are not met day after day?

Mr. MAGNACCA: Mr. Chairman, putting that question to me, is like asking me to sell you goods from an empty wagon. Because there is only one railway train going and coming, and consequently alternative transportation has had to be found.

Mr. OLSON: What I am concerned about is whether or not the people have expressed a desire for this alternative transportation, or whether there are a large number of requests for railway passenger service in and out of Brandon, that the CPR is unable to accommodate on the one train that they are operating.

Mr. MAGNACCA: In that it relates to the one train, which is the "Canadian".

Mr. OLSON: That is the only one you have?

Mr. MAGNACCA: That is right. If you board it you are lucky to get a seat.

Mr. OLSON: Would there also be people who make requests, who do not get an opportunity to board at all?

Mr. MAGNACCA: I know of no one who has been turned down flat, and has complained to me. They have complained about not getting reservations, but no one has reported that they were turned down flat for space directly for any specific trip; but in planning they have been unable to get the reservations.

Mr. OLSON: Yes, but they expressed a desire to travel by the train when they wanted a reservation and if they could not get a reservation then they were not accommodated.

Mr. MAGNACCA: That is right.

Mr. OLSON: You suggested that there was a lack of leadership, lack of direction and lack of policy and so on. Do you think that this Committee, perhaps, should make an interim report to take care of the immediate needs, and then have a long range report as well.

Mr. MAGNACCA: Yes; I think that this Committee, Mr. Chairman, should request an immediate re-instatement of the "Dominion" number one; and that it ask the Federal Government to establish once and for all a national policy which would determine whether our railways shall carry on or not and whether they can afford to carry on.

Mr. OLSON: Your Worship, the Federal Government—I should not say the government, although the government is certainly involved—but the Federal Parliament has asked us to make recommendations to them.

Mr. MAGNACCA: Yes, of course; I am sorry. I meant the Members of Parliament. We as Canadians, when we look upon the government of the day—I as Mayor, do not pick sides on parties, and I meant the people who are Members of Parliament.

Mr. OLSON: In the immediate future you say the "Dominion" should be reinstated at once. In your opinion, should it be reinstated on a 12-month basis at once, or more particularly for the summer season?

Mr. MAGNACCA: I think it should be reinstated at least to the end of the Centennial year, and we would hope by that time that the representatives of our people will have made an inquiry to determine whether this railway can, or cannot, continue to service the people of this country.

Mr. SHERMAN: Mr. Mayor, am I quoting you correctly when I say that you said in your submission that as recently as this week transportation reservations on the CPR were not available to certain people?

Mr. MAGNACCA: That is right.

Mr. SHERMAN: Were you suggesting there, Sir, that there is discrimination practices as to who has available space made available to them and who was denied that space?

Mr. MAGNACCA: No; I will go further. As you know or you may not be aware, the CPR has curtailed its station facilities, and in the case of one of our southerly friends here, whose parent had died down east, and who attempted to catch the midnight train—arriving there quite early enough—the station was closed, and on attempting to get reservations he found it was impossible. He boarded the train and found a coach seat, but he was not able to make any reservations. He just gambled on getting a seat. As you are aware—you may not be—in Brandon you must reserve a seat.

Mr. SHERMAN: This rule applies to everybody. You are not suggesting that it is easier for some people to get reservations than others.

Mr. MAGNACCA: No; if I implied that there was a classification or distinction of classes, that is not what I meant. I do not care whether you are black, red, white, green, blue, brown or your religion or where you come from—that has nothing to do with it.

Mr. SHERMAN: Just one other question, Mr. Mayor. The CPR has insisted strenuously of course, as you know, that the demand for the service fell off before the "Dominion" was eliminated and before the passenger services operated by the CPR were curtailed in the West. To your knowledge has the demand for passenger service on the CPR out of Brandon and out of this part of Western Manitoba always been maintained at a high level?

Mr. MAGNACCA: It was until the curtailment of their cars, I mean there was no problem, say, three or four years ago.

Mr. SHERMAN: You do not detect any reduction in demand?

Mr. MAGNACCA: No. People still travel by railway as usual, and people would love to travel by railway; but the opportunity is not afforded them.

Mr. O'KEEFE: Mr. Chairman and Mr. Mayor, just a short question which may not even be relevant but, in the beginning of your speech, Mr. Mayor, you mentioned a wire from the Prime Minister of Canada, in which you suggested, at least by inference, that he did not know the difference between the CNR and the CPR. I suggest to you, sir, that it is possible that mistake could have been made in the telegraph office? It is possible.

The CHAIRMAN: Let us not get into a problem of semantics, Mr. O'Keefe, thank you. Any further questions?

Mr. O'KEEFE: One more; we agree that there is a need for a revision of railway facilities for this area. Would it suggest that there is a desire as well as a need?

Mr. MAGNACCA: There is a need and there is a desire because of the sudden extension of our industries, and our other ways of life in this part of the Province. I can only speak for this part of the Province, but we have grown in stature in industry in the past two years—I don't want to use the word "phenomenally" because you should never be satisfied—but in spite of the growth of industry our railway services have diminished to practically one train coming and going.

Mr. BALLARD: This committee has not the power to restore the "Dominion", and the decision on that matter is in the hands now of the Government of the day, the Government in Council, and all we can do is to make certain recommendations. Actually, they are taken on a long term basis as things have developed. Does the Mayor understand that fully?

Mr. MAGNACCA: I am fully aware that this committee can be as strong as it wants to be, and can make recommendations to the Parliament of today and say that it is in the interest of Western Canada—in fact you can say of all Canada—that the CPR be reinstated. You can make it strong enough that they would pay attention, because you are truly representative of the people across the country.

Mr. BALLARD: Thank you for your confidence.

The CHAIRMAN: Thank you, Mr. Mayor, for your very fine presentation to us.

We are looking forward to seeing you later today. Thank you very much, sir. We have now Mayor Henderson of the city of Portage la Prairie.

Mayor Henderson was also with us in Ottawa, gentlemen, you will recall, and we are trying to keep the Mayor on the track so that he is not out of the terms of reference again!

This will be an oral presentation, gentlemen.

Mr. HENDERSON: Mr. Chairman, you said you would like to keep me on the track. I am wondering if you mean on the tracks to get to Ottawa, because I have been trying to get there for quite some time!

I am going to keep trying, too. He suggested I sit down, and I think I will.

First of all, Mr. Chairman, and Members of the Committee, I also want to join with Mayor Magnacca in welcoming you all to this part of Canada.

Some of you may know it, and some of you may not have known it before. If you have not seen this country before you will realize how vast it is. We have municipalities here that are almost as large as a whole province. I am thinking of the province from which I come, Prince Edward Island. It is a vast area, and it is tied together by a system of communications. Witness the fact that our chairman has told us that one system of communications has not failed yet, and that is the announcement of a son that has been born to a Member of Parliament, that communication in two ways has not failed us. But some of us are concerned that one system of communication is failing, and at a very swift rate.

Some of us have called the Canadian Pacific Railway Canada's vanishing railway, and it is vanishing in many respects and its services are vanishing from this country of ours.

I think, sir, it was an excellent idea for you to come here. I do not know if you have been here before yourself? Have you been here before?

The CHAIRMAN: No, sir.

Mr. HENDERSON: Well that is good because now you see our problems. Now you see what it is to get plane service in which you get a plane from Winnipeg to Calgary to Vancouver; that is just two stops, or one intermediate stop. Sometimes you can get a plane service from Winnipeg to Regina to Vancouver; but

this is a vast country; and some people and the CPR have been saying that because of the increase in travel by air the passenger travel on the former "Dominion" was disappearing.

How could anybody in their right mind and in their right senses say such a thing, when you talk about Winnipeg, Calgary, Vancouver. What is in between? Everything is in between—the whole of Western Canada.

I have in front of me, and I shall refer to it as we go along, the report of the 85th Annual General Meeting of the shareholders of the Canadian Pacific. It does not say "Railway", it just says "Canadian Pacific". It is dated May 10th, 1966.

One other thing I wish you could do, to try to get some better view of this country out West here, is to go north and see what is depending upon railway transportation; to Flin Flon; to go to Thompson, the second greatest discovery of nickel in the whole world; to get up to the Nelson River and see there a billion dollar hydro development which is being developed, starting right now, in cooperation with the Province of Manitoba and the Government of Canada; to see Grands Rapids itself, a \$140 million dollar hydro investment. This is north of here, and all of this has got to funnel in and get down on to the railway tracks somewhere and if we have not got passenger service, and if we have not got proper freight service, then, of course, we are at a disadvantage; and we have enough disadvantages here in Western Canada without adding to our burden.

In Portage just a few days ago, we had 21.4 inch snow fall. Figure this one out. Now cut out the passenger service on buses and on passenger cars, and that was cut. The R.C.M.P. would not let us on the highway even though we were not going to drive fast. Where are we if we have no transport?

This is the area in which we are living, and this is the area to which we have dedicated our time and our talents and it is an area where we are trying to build, and to help build and round out a nation. There can be no Canada without Western Canada. I do not care how many of you come from the East. I come from there. There can be no Canada without Western Canada. Western Canada is the bread box of our nation. It is that which provides the supply of basic food for our nation. Therefore, we have to look at this problem from a national point of view, and we have to remember that our nation was held back for a very great length of time in history, until such time as we did get a communication rail system. This is what brought British Columbia into Confederation in 1871. This is what brought Prince Edward Island into Confederation in 1873—the guarantee of continuous communication. In our case down East, it was between the island and the mainland. Out here, it is between Winnipeg and British Columbia.

I have brought with me Chapter I Victoria 44—it goes back a long time—and in establishing and setting up the company to build the railway, and get it to the West Coast and get the West Coast into Confederation, Section 7 here says "The railway constructed under the terms hereof shall be the property of the company and pending the completion of the eastern and central sections the government shall transfer to the company the possession and right to work and run the several portions of the Canadian Pacific Railway already constructed or as the same shall be completed; and upon the completion of the Eastern and Central sections the government shall convey to the company, with a suitable

number of station buildings, and with water service but without equipment, those portions of the Canadian Pacific Railway constructed or to be constructed by the Government which shall then be completed and upon completion of the remainder of the portion of the railway to be constructed by the government that portion shall also be conveyed to the company, and the Canadian Pacific Railway shall become, and be thereafter, the absolute property of the company, and the company shall thereafter and forever efficiently maintain, work and run the Canadian Pacific railway." Some people say that has nothing to do with passengers, but if you look a little bit further on you will find where it does deal with passengers, and where it says: The said Canadian Pacific Railway shall receive and carry all freight and passenger traffic shipped to or from any point of the railway of either of the said above named railway companies passing over the Canadian Pacific Railway or any part thereof." So it is just somebody's imagination who says we are not dealing with the efficiency affecting passenger service as well as other types of service.

Mr. REID: Mr. Chairman, could we have the reference for clarification.

The CHAIRMAN: That is the 1881 Act, Mr. Reid.

Mr. HENDERSON: This is section 24. I am sure the committee has copies. I am sure we all have copies but it is sometimes interesting to refresh our memories.

The CHAIRMAN: I don't think Mr. Reid realized what Act it was we were quoting or was it the page you were after?

Mr. REID: I was looking for the page number.

Mr. HENDERSON: It is page 33, section 24.

I am representing here today the city of Portage la Prairie and our people; I am also representing the Manitoba Urban Association; I was asked to represent them before this committee.

One thing basic in the whole discussion is: What is a contract? There are legal minds here. What does it mean? What does it mean when in 1881 the then Government of Canada said, "We will give you \$25 million dollars and 25 million acres of land"? Taking it section by section what does it mean? What does it mean, that they said after that they would efficiently run the Canadian Pacific Railway forever? What is that contract? Is that a contract that these people can strive and slither out from underneath. Does it mean that they have taken \$25 million dollars and 25 million acres of land and used as they have seen fit through the years, and made themselves money. You cannot tell that they are not making themselves money. Mr. Crump, in his report, boasts about the amount of money they are making. Maybe they are taking the "Dominion" to haul the money somewhere; I do not know.

He says here: "The development program of Canadian Pacific Investments and its affiliates continues to move forward", and I agree with him—all except the passenger service. "The drilling program of Canadian Pacific Oil and Gas for 1966 is extensive"—I could say hot air, too—"—and important new developments in Calgary and at Nanaimo, B.C. have been announced by Marathon Realty—" They have set up a real estate corporation to deal with their property. None of it is handled any more by the Canadian Pacific Railway as it was in the

past. They have Marathon Realty. We have dealt with Marathon Realty in our own city, in getting an overpass or a grade separation north and south over the C.N. and C.P.

"Cominco continues with its aggressive program of development on a global basis—". It is no wonder they are forgetting us: it is no wonder they are forgetting the passenger who is trying to get a reservation on a train that does not even exist any more, the "Dominion". It is no wonder that we are forgotten. They are on a global basis. They want to get planes to go across the whole of the universe. They boast about having been given the opportunity to institute a service direct to Amsterdam. This is in the report.

The contract that the people of Canada had through the Government of Canada with the Canadian Pacific Railway was to provide service—efficient and effective service—in perpetuity. It is not to run an airline to Amsterdam, or to run a steamship service to Bermuda, or to drill for oil or gas and all the rest of it. This is not what we are talking about. But this is what side tracking their responsibility to the citizens of Canada, to the Government of Canada, in downgrading their rail passenger service.

Some of us want to know who is really running the nation. We are concerned. We seem to think that the Canadian Pacific Railway has too much authority, as it works through the Board of Transport Commissioners. We are concerned about this.

Canada, as a nation, has been tied together in the past by transportation and communication, and this must continue.

I have several questions I want to ask and put on the record, and I hope will get an answer to them some time later. These questions are with respect to the service of the C.P.R. First of all, I would like to know, for the month of February, the number of passenger cars on the "Canadian" from Winnipeg to Sudbury, from Sudbury to Toronto, from Sudbury to Montreal. Secondly, I would like to know how many vacant seats there were in these cars, from Winnipeg to Sudbury, from Sudbury to Toronto, and Sudbury to Montreal. I think this will be very revealing; in fact, I know it will. But I would like to have the statement come from them and not from me.

I would like to know, when, at the official level—the top brass—the Canadian Pacific Railway decided that it was doing it to drop the "Dominion". I would like to know the date. They have stated that it was after they had been asked to provide freight cars and diesels for moving the wheat. I saw a press release long before the wheat argument was discussed. I would like to have their official statement when they decided to drop "The Dominion", in their own business meeting.

I would like to know when they stopped advertising for passengers, and when they started again. There was a beautiful add in the paper the other day—I think about the time you people landed here—"We have wonderful service now on the "Canadian". This was very well timed, very well executed. I would like to know when they stopped their advertising through the mass media, newspapers, and when they suddenly started it once again, to get people on the "Canadian". These are significant dates and significant questions.

Then I would like to ask: What happened to the diesels that were servicing the "Dominion", were they found left in the yard at Minnesota? There are people who say they were. I would like to know just the disposition of the diesels that were taken off the "Dominion", when they were taken off, and where they were placed.

Mr. Chairman, we have presented a formal brief and you have that recorded in your minutes. You have briefs from all across Canada. I doubt if you have one from anybody suggesting that we do not need rail services out here, excepting maybe from the Canadian Pacific Railway. You have heard City Councils, you have heard provincial governments; they are all maintaining the same thing, that we need and must have a communication system, a transport system, which will meet and match the urgency of our times.

As I was coming here today I was stopped just west of Carberry, a little branch line. There were 121 freight cars on a branch line. Surely this gives us some idea of what we need on the main line. The people of western Canada, the people of our cities and towns and villages and farms, want some assurance—and we hope we can get some help, some assistance, from this committee—they want some assurance that we are going to have an improved service; and if the Canadian Pacific Railway wants to get out of the passenger service altogether, then I say, once again, let them give us back \$25 million dollars—1881 dollars, not present day ones—let them give us back 25 million acres of land, and we can then run a railway. If they do not want to do it, someone else can. But we need some assurance, for our security, for the continuity of service.

Once more, the CPR has stated that the "Canadian" would absorb the passengers that used to be on the "Dominion". Let me say this: You came through this morning. Where was your first stop after you left Regina, Mr. Chairman? May I ask that from someone here?

An Hon. MEMBER: We were sleeping.

Mr. HENDERSON: Sleeping from Regina on? Surely not.

The CHAIRMAN: We left Moose Jaw around 2.30 this morning.

Mr. HENDERSON: Did you get any stops at all before you got to Brandon?

Hon. MEMBERS: Oh yes, many stops, including a flag stop.

Mr. HENDERSON: Yes, there can be stops, for emergencies; this is correct. But the regular schedule stopping for the "Canadian", is Winnipeg, Portage, Brandon, Regina. These are the regular stops.

Mr. ROCK: Yes, but it is customary if there are any passengers at any flag stops, it will stop.

Mr. HENDERSON: That is right, if there is any passenger at any flag stop.

Mr. ROCK: But you do not expect it to stop everywhere if there is no passenger?

Mr. HENDERSON: No, but the "Dominion" used to stop for instance at Portage, Carberry, Brandon; those are regular stops, scheduled stops.

Mr. ROCK: Do you think that is right, if there are no passengers to get off or on.

Mr. HENDERSON: There is more than passengers on a rail service. I just want you to know how many stops you had coming through, because you are here for a purpose. And you are perfectly surprised at what the service is as I understand it, Mr. Chairman, and I think this is a very important aspect of it. I am not trying to bring anybody into the argument but I think it is a sensible and a reasonable question to ask. In the elimination of the "Dominion", the Board of Transport Commissioners apparently listened to the pleadings of the Canadian Pacific Railway, rather than to the pleadings of the people of western Canada, and in doing this they have cut down our service—the service which was deteriorating anyhow—and finally, with its elimination, they have placed one passenger service, east and west, in all of western Canada. We do not think this is good enough. We do not think it is fair. We do not think it is living up to a contractual agreement and our plea is, to you people, to bring the necessary—I would not say pressure—influence to bear so that the Board of Transport Commissioners or the Government of Canada, will order that the "Dominion" be placed in service again in western Canada.

The CHAIRMAN: Thank you very much, Mr. Mayor.

Mr. PASCOE: Mr. Chairman, I was going to ask him if he wanted the "Dominion" put back on again, but in his last remarks he indicated that. But does he want it back on the full consist they had before, sleeping car accommodation and diners, etc.?

Mr. HENDERSON: I am not sure if I caught the first part of that, Mr. Chairman.

Mr. PASCOE: I was just going to ask you if you wanted the "Dominion" back, but you said you did in your last statement. Do you mean back on the old consist of sleeping car accommodation and diners or the way it was before it was cancelled?

Mr. HENDERSON: Mr. Chairman, I would put it this way. In Ottawa I asked for a take-over of the reservation system. We would want the "Dominion" restored to the extent that the services were requisitioned by individuals. You would not put on a dining car for one person taking a meal; but if there were sufficient travel, as I am sure there would be—because I watched the "Dominion" day after day after day go through our city loaded to capacity last summer—if there were sufficient travel, you would need to have the service along with the travel.

Mr. PASCOE: That is all I wanted, Mr. Chairman.

Mr. CANTELON: I just have one question. At some of the other places we have been they have suggested something in the nature of a day-liner service operating from Winnipeg to Calgary. Do you think that this would meet the demands of the service from here?

Mr. HENDERSON: Mr. Chairman, that would certainly meet the demands of the local traffic.

Mr. CANTELON: That is what I meant.

Mr. HENDERSON: Certainly.

Mr. CANTELON: Thank you, that is all I wanted.

Mr. FAWCETT: I would like to go back to 1955. I will try to be as brief as I can.

I think you have to realize that we have to be realistic about this whole thing. In 1955, both the Canadian National and the Canadian Pacific did go to great lengths to try to interest people in rail travelling. This was at a time that the stainless steel train appeared, the "Canadian". I would like to ask you this: What would lead to the fact that the people seemed to leave the railway following this period? What would be the reason for this? We have got to look at this from a realistic point of view. Certainly there was an effort made at that time and obviously passengers did start to leave the rails.

The CHAIRMAN: Excuse, the tape is not catching you, Mr. Fawcett, you will have to put the mike in front of you.

Mr. FAWCETT: Did you get my question? The point that I was getting at was this, that in 1955 both major railways did go all out to try and induce passenger traffic by certainly upgrading their trains. I think that they did this sincerely and with an honest view towards trying to get people back on the rails; but evidently something happened in between. What would be your opinion as to why the passengers did leave the rails at least for a period of time. Do you think that this is sort of a cycle or is there a specific reason for it? I think this is one of the things that we have to satisfy ourselves on.

Mr. HENDERSON: Well, I would say first of all that sometimes even people get off the rails, even Cabinet Ministers. But to get the people back on the rails again, let us remember this, that the CNR has continued its trains and keeps improving them. They have not pulled off the equivalent of the "Dominion".

My opinion is that it is two or three things, one, the service started downgrading, in my humble opinion, after they found that the aluminum cars did not do everything; that then meals started being downgraded, and there are circles and choices of people. Some have met and matched this by faster trains, as they have met it in the United States and in several areas, and as they are meeting it in Japan. There has been a hue and cry. After the war there was a great upsurge in the financial ability of the people and they became more independent and bought cars; this is part of it. People took to more air traffic; I think this is true. But basically and fundamentally, that train could still run, particularly in the summer time, to full capacity.

Mr. FAWCETT: This is something that we are concerned with, the passenger traffic in the summer. Would you say that the branch lines had something to do with it, the feeder lines, and could you give us an indication if there was passenger traffic on the branch lines, on the feeder lines, to warrant continuation of this feeder service to the main line?

Mr. HENDERSON: When I spoke about the branch lines in Ottawa, what happened?

Mr. FAWCETT: But I am speaking of passenger branch lines—the feeder lines to bring traffic to the "Canadian" and the "Dominion".

Mr. HENDERSON: Certainly the feeder lines are very important—extremely important—in bringing traffic in; and feeder lines have been eliminated. This is extremely important, as it is with Air Canada, for instance Air Canada does

not want to run feeder lines. They want somebody else to run the feeder lines and bring them in, say from Flin Flon, from Thompson, from Churchill and bring them in to Winnipeg and then they will scoot them back and forth across Canada; it is the same thing with rail, basically.

Mr. FAWCETT: But would you not say there are other facilities that could be used for feeder purposes to bring these people to the main line, rather than have the railways continue to operate passenger trains over miles and miles of branch lines where the passenger traffic, I would feel, would be very light on the trains?

Mr. HENDERSON: Well, Mr. Chairman, we have not come to the question of asking for restoration of any feeder lines, but we have asked for the service to take care of those who come in on the feeder lines, whether by car, whether by plane, or how it is,—take care of that traffic.

Mr. FAWCETT: I do not want to appear unsympathetic to your views, and I can see that in the West they feel there is a need for additional facilities, but, Mr. Chairman, I will pass now.

Mr. ROCK: First of all, Mr. Henderson, I must say that, remembering you as a real live wire in the past many years at municipal conventions across Canada and the United States and also at Liberal conventions, I would want to ask you a question to get that other part on the record.

You have referred to the Act of 1881, and you have read "...and the said Canadian Pacific Railway Company shall receive and carry all freight and passenger traffic shipped to and from." I don't think you even went that far.

Mr. HENDERSON: Yes, I did.

Mr. ROCK: Does this refer only to certain railway companies?

Mr. HENDERSON: A certain area; this is correct.

Mr. ROCK: Yes; but I don't think you mentioned it that way at the time you read it, and I think it has left an impression that this is their duty to do that throughout.

Mr. HENDERSON: Mr. Chairman, my impression of a contract is that it is a binding agreement, and particularly when it is made as between the Government of Canada and a group of citizens of Canada who form themselves into a company, and particularly when it is signed, sealed and settled for \$25 million and 25 millions acres of land. As a clergyman I tie people together for less money than that, and it is a binding contract, basically.

Mr. ROCK: I have just one more short question. What is the population of Portage la Prairie, and do you know the amount of passengers that usually ask for a long passage and a short passage from your municipality?

Mr. HENDERSON: First of all, in our area we have two things. We have one, the Municipality of Portage La Prairie which is a rural municipality, and we have the City of Portage La Prairie. They are two distinct municipal units. The city's population is in very round figures, 12,500; the rural municipality's population is, in round figures, 7,500. The trading area is, in round figures, 35,000 people.

That is the first part. What was the second part?

Mr. ROCK: The second part is: have you any figures on the amount of people who request long passage and short passage tickets?

Mr. HENDERSON: No, this information I could not get. This information you would need to get, Mr. Chairman, through the Canadian Pacific Railway.

Their reservation system does not say "Yes, we can supply transportation", or "No, we cannot." It is not like the airplane, you know.

Mr. ROCK: No, but I thought perchance that, bringing this brief here, you would have this information also.

Mr. HENDERSON: No, I have no access to this information.

Mr. MACEWAN: Mr. Chairman, as a member from the Province of Nova Scotia representing the Cariboo area which is known to Mr. Henderson, no doubt—?

Mr. HENDERSON: Very well.

Mr. MACEWAN: I just wanted to ask him, as a native son of P.E.I., the Garden of the Gulf, if he is in favour of the completion of the P.E.I. causeway.

The CHAIRMAN: Mr. Mayor, that is the conclusion of the questioning and I appreciate your coming.

Mr. BYRNE: I just want to say that we will put this series of questions to the CPR officials when they appear before the Committee again.

Mr. HENDERSON: I hope you will have a chance to do that.

Mr. BYRNE: Does the Canadian National Railway go through Portage La Prairie?

Mr. HENDERSON: Oh yes. You can not get from eastern Canada to western Canada without going through the centre of our city. We are the most strategically located city in all of Canada.

The CHAIRMAN: Thank you, Mr. Mayor, and it has been nice to see you again.

Gentlemen, it was my intention to call the Chamber of Commerce presentation now, but it is a lengthy one, and it is being given on behalf of the city, the Chamber of Commerce and the Industrial Commission. There will be no brief from the Brandon Industrial Commission. I would ask that, as it will be a lengthy one with quite a bit of questions, perhaps we could take some shorter ones; and I would ask Mayor McNeil of the town of Virden, or the representations for the town of Virden; and then we could take three short ones thereafter, Alderman Penton, Alderman Box, Alderman Burneski of Brandon; and then we will go into the Chamber of Commerce brief and the Brotherhood of Railroad Trainmen.

Gentlemen, we have His Worship Mayor McNeil of the town of Virden who will be presenting the following brief on behalf of his town.

Mr. McNEIL: Thank you, Mr. Chairman. We have a brief that we presented at the hearing last fall in Winnipeg. It was rather a lengthy one, and although we are supporting it 100 per cent I drew up a shorter brief for this hearing today.

The council of the town of Virden submitted a brief in Winnipeg at the hearing last fall. In it we endeavoured to substantiate the necessity of the "Dominion" being reinstated to give the services of sleepers and dining car facilities. These had been recognized by the travelling public as first class accommodation. We feel that this discontinued service was a valuable one.

We would like to draw the attention of the board at this time to the value and the necessity of the "Dominion" to Virden and district. Virden did enjoy the privilege of a flag stop on the "Canadian" before the "Dominion" was cancelled. As a flag stop, it was necessary for the "Canadian" to stop approximately 25 days out of each month.

The CHAIRMAN: Excuse me, Mayor McNeil, could you speak up a little louder please? The members are having some difficulty hearing in this room.

Mr. McNEIL: Today we still have a flag stop, but this has not greatly increased the passenger trade. From what I can understand, this is due mainly to the "Canadian", both East and West, arriving in Virden during the hours in which the station is closed. For this reason the travelling public does not have the opportunity of knowing the arrival time of the trains, which have been running to some extent behind the schedule time. Although there is a phone number to call in the Brandon office, a certain party was advised the train was on time, and a wait of over one hour and thirty minutes was experienced. This is not the type of service which would encourage the public to use the passenger trains, especially in the early hours of the morning.

In the brief I presented at the hearing last fall in Winnipeg, we stressed the necessity of two passenger trains in each direction daily, at approximately twelve hour intervals. This would accommodate the travelling public more beneficially. We have at present one train in each direction daily, which means about a 16 hour interval, to most towns and cities where agents are not available for tickets and information. This also forces them to use train service which is available only in the middle of the night.

After passenger service was discontinued on the branch lines, the surrounding district of Virden used the Virden stop of the "Dominion", especially for long distance travelling. Virden has paved roads running north and south, as well as the No. 1 highway. This meant passengers from Antler, Reston, Pipestone, and Melita to the South, Birtle, Miniota, Hamiota and Kenton to the North, and many other towns used the Virden stop as their most convenient means of travel. However, the "Dominion" being cancelled and the very late or early hours of the "Canadian" have forced the travelling public to use other means of transportation which are not as desirable.

We therefore urge you to order the Canadian Pacific to reinstate the operation of the "Dominion".

Mr. Chairman, there are a couple of questions that have been asked and, if I may, I would like to give my version of the questions that were asked.

The first one was the desire and need of the "Dominion" and was there a fall-off of revenue prior to the "Dominion" being cancelled? I have some figures here that were presented to us at the hearing last fall, and it gives the revenue of the "Dominion" for the year of 1964 up to July of 1965. According to these figures, during the year of 1964, the revenue of mail and express was quite

high; and in July of 1965, this revenue was discontinued due to the mail contract and the express contract being cancelled.

To compare that with July of 1964, that was a loss of revenue of \$266,000 in mail, and \$5,685 in express. In the passenger revenue it seemed to hold very consistent to January of 1964 and January of 1965 and each month, February, March, April, May, June and July was comparable in 1965 with that of 1964. I would say that this shows the desire and wish of the people to continue to use the train; but it was cancelled.

Another question, Mr. Chairman, was: In 1955, why did people leave the rails? I would like to go back to 1955. As I recall, we had around five to six trains running East and West each day, and at that time, there was bus competition, and we could see a bus coming within 10 to 15 minutes of the arrival time of each train; and this was competition. As the trains were cancelled and taken off, the bus also did not have the competition of the trains, and it was discontinued. Today I think there is a need for the "Dominion" because we have only two buses, I believe, going East and West where we used to have five and six. But they do not have to compete with the trains anymore. This has reduced the ability to travel extensively; and I do think this is the reason why the people were leaving the rails in 1955 because the competition for short hauls on buses was very strong at that time.

Also, Mr. Chairman, in these figures that we have here, we have the revenue, and we also have the variable costs of the "Dominion" in which there are a few things I would question.

We do not have a total of the year's revenue; however, we have the total for the year's expenditure and it shows a \$10 million loss. But road maintenance is charged with \$1,932,000, or almost two million dollars, and I do not see that it could make one particle of difference whether the "Dominion" would run or not as far as roadbed maintenance is concerned; and still this is chargeable to the "Dominion" and shown as a loss.

We also have wages and train crew for train and engine crews, a cost of \$2,144,000; and we also have another figure in here showing pensions and unemployment insurance at \$606,000. Pensions and unemployment is about 30 per cent of the total cost of the wages, which seems extremely high to me.

I am just bringing these figures up because we have been told that the "Dominion" is losing about \$10 million a year, and with figures like this, why, I do not see how it is substantiated.

Thank you, Mr. Chairman.

Mr. CARTER: I was interested in what the witness had to say about this competition between the bus lines and the railways. If I understood you correctly you said that when you had four or five trains a day you had four or five buses, running practically the same schedule.

When the trains disappeared the buses disappeared too.

Mr. McNEIL: This is a fact, this is what happened. When the buses did not have to meet the competition of the railroad, why we were—

Mr. CARTER: Were the buses getting sufficient traffic when the trains were running?

Mr. McNEIL: No, they did not seem to be picking up as much traffic as the trains did; but they always had a bus for each train in each direction, going either east or west.

Mr. CARTER: What happened when the train was taken off? Did the traffic increase?

Mr. McNEIL: The bus was taken off also; we just lost a bus, as each train was taken off.

Mr. CARTER: That seems rather strange to me, because one would think that with the train gone, there would be more traffic for the buses and they would put on more buses. You said the buses disappeared. What I want to know is, did the actual number of buses disappear, or did they perhaps have the same number of buses but run on two schedules instead of four or five schedules as they were doing before?

Mr. McNEIL: No. The point that I am trying to get across here is that it was a matter of competition. The buses were running a bus to meet the railroad time schedule when they were running east and west, and when this schedule was taken off, they just let the next schedule handle it. Going through Virden—it has been quite noticeable—we have reduced from about six buses east and west each day back as far as 1955, and we are down, I believe, to about two buses each way at the present time.

Mr. CARTER: Yes; they were competing on schedules but when the train disappeared you had fewer schedules; the schedule went down from five buses a day to about two a day. But on those two schedules did you still have enough buses to take care of the number of passengers travelling?

Mr. McNEIL: Yes. I do not think that there has ever been a problem with buses being overcrowded, as far as I can see. They handle short hauls but they want to, or did, compete with the railways and tried to take as much of the business as was available at that time.

Mr. CARTER: Were these buses operated by the government, by the city, or by a private company?

Mr. McNEIL: I would think so.

Mr. HYMMEN: Mayor McNeil, while we are on the subject of buses, and since we have had some discussion previously at other locations about a national transportation policy which would co-ordinate and correlate various means of communication, I suggest that the buses are not too far off from our terms of reference.

Mayor Henderson referred to the buses and in his remarks he did not sound too favourable, because, I believe, of some difficulty in the winter months.

I had the opportunity of speaking with the general manager of a provincially-operated transportation company in a neighbouring province yesterday, and I specifically asked him about the buses in the winter time. He explained that in the Province of Saskatchewan their highways were elevated to allow the wind to clear the road and there was very, very little problem with these buses getting through; secondly, that the people seemed to like to ride the buses and their patronage was increasing all the time.

I just wanted to make that comment with regard to Mr. Carter's question.

Were these feeder buses meeting the railroad at your stop, or were they running parallel to the railway line?

Mr. McNEIL: They were running parallel to the railway line on the No. 1 highway, and it was quite noticeable that as the train schedule would change the bus schedule would change and we were having a duplication of train and bus service in Virden at the same time.

Mr. HYMMEN: I think it was explained that these buses were privately operated. If there is a need for transportation here that is not being met, it would seem to me that some correlation here should be introduced.

Mr. McNEIL: I do not quite get what you mean, sir. Do you mean that we should be patronizing the buses?

Mr. HYMMEN: No, I did not say that. You said that when the "Dominion" was operating you had buses running in competition, and when the "Dominion" was not operating, your buses had cut down here.

Mr. McNEIL: This is one thing that I would like to make clear. The schedule that the "Dominion" was running on last year when it stopped—we do not have that schedule of the bus at this time.

Mr. HYMMEN: Another question, sir. Do you see the "Dominion" as it used to be, or as it might be, introduced as a local train rather than a transcontinental train in this area?

Mr. McNEIL: Well, from Virden—and we serve a large district here—I would think that the transcontinental train is the one that the demand would be for, because we service a large area to the north and south where we have paved roads, as I mentioned in my brief, and these people coming into Virden by car and taking the "Dominion", were using it for long trips, either East or West.

Mr. CARON: Would you repeat the figures you gave a short while ago for the mail express and the passenger service in 1964?

Mr. McNEIL: Yes. Do you mean for each month?

Mr. CARON: Well, you gave it for six months for the mail and the year for the express.

Mr. McNEIL: I do not happen to have a total of the year, but I have them listed here monthly.

Mr. CARON: Never mind, thank you. You said that the maintenance of the rail was all charged to the "Dominion", and nothing to the "Canadian". Is that what you meant?

Mr. McNEIL: No, this is not what I meant. I was just wondering why this was chargeable to the "Dominion", because I cannot see why it would make one particle of difference whether the "Dominion" runs or not.

Mr. CARON: Would you divide the whole cost of the roadbed maintenance between the two?

Mr. McNEIL: This will be divided between freight trains as well, and I would wonder now, since this \$1,932,000 was chargeable to the "Dominion", if the "Canadian" is carrying this now?

Mr. CARON: It would have to carry the whole lot.

Mr. McNEIL: It would have to carry the whole lot.

Mr. OLSON: Mayor McNeil, I would like to ask you, first of all, what is the population of the trading area of your town and, more specifically, if you have it, the population of that area that would come to Virden seeking transcontinental rail transportation.

Mr. McNEIL: We feel that we are serving an area of between 15,000 to 18,000.

Mr. OLSON: Is Virden served only by the CPR as far as rail is concerned?

Mr. McNEIL: We have CN which comes in and terminates there; but there is no passenger service at this time.

Mr. OLSON: How far do you have to go to get to the CN passenger service?

Mr. McNEIL: We have to go 22 miles to the south of us, to Miniota, or we have to come to North Brandon. It is usually North Brandon if we have to take CN.

Mr. OLSON: How far is it to go south? Is there regular passenger service at the CNR terminal south of you?

Mr. McNEIL: I could not answer this and be sure of what I am saying, because the station at Miniota may or may not be a regular stop, I do not know.

Mr. OLSON: Do the transcontinental trains run through there?

Mr. McNEIL: I believe so, but I have not used them at all.

Mr. OLSON: But you say most people go to North Brandon?

Mr. McNEIL: Yes, and take the transcontinental train from North Brandon. It is about 12 miles to the north of Brandon.

Mr. OLSON: How far is that from Virden?

Mr. McNEIL: It is about 64 miles.

Mr. OLSON: Do many people do that?

Mr. McNEIL: Some; I would not say that there are a great many.

Mr. OLSON: Do you have any air service?

Mr. McNEIL: No.

Mr. OLSON: Well there must be some people of this 15,000 or 18,000 who want to go to the west coast, or to the east coast, or to central Canada.

Mr. McNEIL: This is correct.

Mr. OLSON: Where would they go if they wanted to get on an aeroplane?

Mr. McNEIL: Regina or Winnipeg.

Mr. OLSON: How far is Regina?

Mr. McNEIL: 175 to 180 miles; and about the same to Winnipeg.

Mr. OLSON: It is about 180 miles to an air service in either direction.

I would just like to ask you this, and I think it was partially answered: I am not quite clear on whether you are simply asking, as far as railway service

is concerned, for transcontinental service. That is the only addition that you need? Buses take care of the local service, do they?

Mr. McNEIL: Oh, yes. The transcontinental is what we are really more interested in than anything else.

Mr. OLSON: What about a rail dayliner or rail liner from Winnipeg to Calgary? Would that serve a useful purpose in your community?

Mr. McNEIL: I do not think that it would be considered too adequate at all.

Mr. OLSON: Thank you, Mr. Chairman.

Mr. SALTSMAN: Mr. Chairman and Mayor McNeil, I was very interested in your reference to the competition that existed between buses and the railroad, and the changes in service that took place after the rail service was diminished.

Do you think there was any deliberate attempt on the part of the bus services to try to capture business from the railroads at the time that this large number of buses were on?

Mr. McNEIL: Yes, I feel that all indications would point that way; that the buses were endeavouring to take as much of the travelling trade from the railroad as possible.

Mr. SALTSMAN: Have you any idea what the bus prices at that time were for similar types of service in comparison to the railroad prices? Were they lower, or higher, or about the same? Was there a price war on as well?

Mr. McNEIL: No, I do not think there was a price war. I never heard of any, that I know of.

Mr. SALTSMAN: Was there any change in the prices once the rail service was diminished? Did the buses raise their prices after that?

Mr. McNEIL: Not to my knowledge.

Mr. SALTSMAN: One of the things I would be very interested in if you could recall, is this: At the time that there was this excessive amount of transportation available to you, did you realize that this was really uneconomic—in other words, having that many buses come in, and that many trains come in. Was there any concern expressed in your community about being overserved, that this could not go on forever; that it was just uneconomic? Was there any concern expressed in your community?

Mr. McNEIL: Well, I do not think as far as the railroad were concerned, there was the feeling that there was too much train service at all at that time. Then we had branch line passenger train service which also came in from Neudorf and came out at the mainline at Virden; and, at that time the CNR had a passenger service into Virden three times a week; and at all times the passenger business seemed to be—

Mr. SALTSMAN: Was there no consideration given to the fact that the competition the buses were creating with the railroads would eventually lead to one of two things, either that it would make railroading unprofitable in your area or bussing unprofitable in your area? I say this because right now we are all concerned about rationalizing the services, yet at one time in your community, and many other communities in Canada, there was excessive competition

which was obviously uneconomic. We have concern today because perhaps we have lost some of these services, but what I am trying to get at, was whether there was any concern at the time that this kind of excessive competing would lead to the present conditions that exist today, where you get a reduction in services as a result of this?

Mr. McNEIL: There was a certain amount of discussion alright; we have discussed that many times about so much service, both bus and railroad; but I do not think we ever thought of it coming down to the point where we are today, with one passenger train and a couple of buses each way.

Mr. SALTSMAN: Thank you very much.

The CHAIRMAN: Thank you very much for coming here today and presenting your brief on behalf of the town.

Alderman Penton is presenting a brief, a copy of which has been distributed.

Mr. PENTON: Mr. Chairman, my brief is very short. It presents one individual's point of view, which is mine. I will read it. I believe all members have copies.

Mr. Chairman and Members of the Committee: This submission is made on behalf of myself only, and represents my own views and not necessarily those of the Brandon City Council, the Brandon Industrial Commission or the West-Man Regional Development Inc., of each of which I am a member. I might add here that I rather think it does represent these views, but at this moment I am merely expressing my own.

The Canadian Pacific Railway, being a private corporation, apparently feels that its first and only responsibility is to its shareholders, and have removed what it considers an unprofitable service in the discontinuance of the "Dominion".

I know that your Committee, as well as the Parliament of Canada, has heard all the arguments put forth in opposition to this view, and I do not propose to repeat them. It is enough, at this stage, to state that I agree with those views which oppose the discontinuance of this rail service.

Quite frankly, I cannot put too much of the blame on the CPR. Being a private corporation, and in the absence of any direction from parliament, they have chosen to operate as efficiently and as profitably as possible, having regard only for the shareholders, and apparently no regard for the citizens of Canada, and more particularly, western Canada.

There is one area, however, in which I feel the CPR can be blamed. This is in the methods, and I suggest to the Committee that they were surreptitious methods, in which the railway company chose to plan the discontinuance of the service. It is pretty obvious that it was a long-range, carefully planned operation, designed to cause harassment and frustrations to those who desired, or in fact, had to use the service. This indicates to me, at any rate, that the company felt an obligation to the citizens of Canada, and deliberately set out to develop a situation whereby they would be relieved of this obligation. I am sure the members of this Committee are aware of the flagrant disregard, by the CPR, of the Board of Transport Commissioners' rulings, and the needs of the travelling public, in their efforts to unload their obligation. So far, I do not think the CPR have been asked to explain this disregard, and I suggest that this

Committee, along with the other recommendations they will make, should include a recommendation of severe censure of the Canadian Pacific Railway by the Parliament of Canada for their complete and utter disregard for the citizens of Canada, and their rights for an acceptable and complete rail service.

The area of western Manitoba, and, more particularly, the City of Brandon, is entering into a phase of industrial expansion that is explosive in nature. Things are happening right now (and the indications are that they will continue with an increasing tempo) that even the most optimistic of us would not have dared to hope for even two or three years ago. Our city is served, rail-wise, with the CPR main line. Air-wise, we are served by Trans-Air Ltd., on a one service east and west, daily. Just at the time when we sorely need increased rail and air service to this area, we find the CPR discontinuing 50 per cent of its present passenger service, and indicating, in more than one way, that it will not be satisfied until they have removed the other 50 per cent, that being the "Canadian". We also find, that our air carrier is applying to the Air Transport Board to discontinue its service into our area. I suggest that if they are successful in their application, our community industrial expansion will be set back immeasurably.

Our industrial boom has been accelerated, to a great degree, by the Federal Government's Designated Area Program of Grants. At the time when, because of this boom, we need increased service, we find the same government, which helped to cause the boom, giving "aid and comfort" to those proponents of a discontinuance of a vital service to a community. To me, this appears ludicrous, and points up the absolute necessity of the establishing, by the government, of a sound transportation policy which would have regard for the needs of each community for air and rail service with the profit picture of a private corporation only considered after an adequate service policy is established.

Brandon needs increased rail service, not a decrease in service. I suggest that we do not want "our pound of flesh" from the CPR by giving us back a limited version of the "Dominion". Rather, what we vitally need is a realistic approach, by the government, to search out a transportation policy which will adequately provide the service required by various communities, and thereby help us to develop our areas, and which, in turn, will be for the betterment of all of Canada.

That is my submission, Mr. Chairman.

Mr. REID: Mr. Chairman, I would like to ask Alderman Penton a few questions on his fifth paragraph.

You make rather a flat broad statement. You say: "...it was pretty obvious that it was a long-range carefully planned operation, designed to cause harassment and frustration to those who desired, or in fact, had to use the service", and the service you referred to, of course, is passenger. Do you have any proof of this? Have you any illustrations?

Mr. PENTON: I have many illustrations, and I would have been most happy to include them in this, but it seemed to me that you have heard them so many times in your travelling; I have heard them, I have read them in the press. I am thinking, Mr. Reid, of the start of the downgrading of the whole service, from meals to lack of available reservations. In our particular city we used to have a lunch-counter. They closed the lunch-counter down. They put the lights out.

They absolutely refuse to talk to you, if it is not between the minimum time that they happen to be on duty, to get reservations. There were several others.

Mr. REID: The other question is on that paragraph a little further down: "I am sure the members of this Committee are aware of the flagrant disregard, by the CPR, of the Board of Transport Commissioners' rulings" and then it goes on. Could you give us some examples of this, please?

Mr. PENTON: My point there, Mr. Reid, is that the "Dominion" was removed, I believe, on September 7. They were ordered by the Board of Transport Commissioners to replace the "Dominion" until they had an opportunity to decide—until they had their hearings—and they replaced it with what I do not consider was the "Dominion" and I am sure you do not consider was the "Dominion". The "Dominion", as we knew it, was a train; what they replaced was a baggage car, a one-passenger car, a diesel unit; and obviously, in my view, this was a flagrant disregard of the ruling. They didn't put back, in my view, what they were instructed to put back.

Mr. REID: What was the opinion of the Board of Transport Commissioners on this?

Mr. PENTON: The Board of Transport Commissioners apparently did not feel that there had been flagrant disregard; and my point is that I think there had been.

This points up to me the fact that the Board of Transport Commissioners apparently are not "with" the situation in my view. They seem to be outside. We feel that our problem has not even been considered, when we see this kind of thing happening.

Mr. REID: In the following paragraph, you speak about the modes of transportation that you have. You speak of air transportation and rail transportation. What about your bus service?

Mr. PENTON: The bus service is, I would say, three times a day; I am not positively sure of the bus service. The bus service has continued on. There has been, in my view, very little change in bus service. It has not been upgraded or downgraded. For those who prefer to travel by bus, the service is probably quite satisfactory.

Mr. REID: In view of the fact that your air carrier is applying to the Air Transport Board to discontinue its service, perhaps I could go to Mr. Saltsman's point that you may have too many transportation facilities in Brandon at the present time, otherwise you would not have Trans-Air going to the Air Transport Board requesting to discontinue its service.

Mr. PENTON: I do not know quite how to answer your question.

Mr. REID: Well, if Trans-Air was making a profit, or breaking even, I would presume they would carry on the service. Since they are not, since they are making this application, then there is a possibility that with the bus service, with the present train service, with the private automobile, you have too much passenger service and that economically this burden cannot be carried.

Mr. PENTON: I cannot agree with your reasoning, if this is your reasoning. Perhaps you are trying to draw out a point. As far as I am concerned we do not

have too much service. I think, using the Canadian Pacific Railway as a first example, that if they did what the Canadian National Railways did and went out to develop passenger service, I am satisfied they would be using it.

I heard many questions asked of previous people today, "What figures have you got on the number of reservations that have been turned down", and this sort of thing. How could we find out, or anybody find this out, except the CPR? It would be impossible.

I suggest, though, that the community has long since given up trying to get a reservation so that any figures that were prepared would not be fair figures anyway; because we have learned the hard way that it is just impossible to even consider reservations except on a very limited scale.

Now, on your question regarding too much transportation: I do not know how it would be possible to develop a region without starting something. Our air transport—I am mentioning now the Trans-Air's application—If they were allowed, from an economic point of view, to continue in the area until it developed I am satisfied that they would eventually develop and generate a profit. I often think of a speaker in the United States who said that he was reminded of the chap who sat in front of the cold stove, holding his hands out, and said, "Give me heat and then I will throw on the wood". I would suggest that this is what everybody is asking for. They want the heat before they are prepared to do anything to develop an area; and I cannot see how it could be justified that we have too much transportation. Obviously we have not got anywhere near enough.

Mr. REID: My last question has to do with your next paragraph, and it concerns your request for "a sound transportation policy which would have regard for the needs of each community for air and rail service, with the profit picture of a private corporation only considered after an adequate service policy established". Who would you suggest should pick up the tab for providing this service if it is not economic, as you suggest it might not be.

Mr. PENTON: Mr. Reid, in accordance with what the MacPherson recommendations were, there were some pretty far-reaching suggestions in this area. It is possible that if, in the case of the Canadian Pacific Railway as opposed to the Canadian National, which is publicly-owned—it is possible that if the which the Government of Canada has agreed upon, then I suggest that they services of a private company is required to produce or to development a policy, which the Government of Canada has agreed upon, then I suggest that they would have to, if necessary, be subsidized.

Mr. REID: By whom?

Mr. PENTON: By the government of Canada.

Mr. REID: If the service was providing service only in a limited regional area, say in the Prairie Provinces, or even within a particular province, would you not say there was an obligation on the regional government of that area to have a part in subsidizing this service? I give you an example: The commuter service which is being subsidized by the Province of Ontario from Hamilton to Toronto.

The CHAIRMAN: To Burlington?

Mr. REID: It has recently been extended, Mr. Chairman, to Hamilton.

Mr. PENTON: This is subsidized, you say?

Mr. REID: Yes; by the Province of Ontario.

Mr. PENTON: By the Province of Ontario. It undoubtedly has then been developed by the Province of Ontario. I do not think we are in a position area-wise, to subsidize the Canadian Pacific Railway, unless it became a very regional situation; then, of course, this is another picture.

Mr. REID: Do you think perhaps provision of a local service from say Kenora, or Winnipeg to Calgary would be sufficient for part of your needs in this respect.

Mr. PENTON: Adequate transportation, Mr. Reid, as far as I am concerned, would include service in and out—and naturally I am concerned with this community—service in and out, with reasonable connections airwise and railwise. If this was the local service which gave you the connection, then I would suggest this would be fine.

Mr. REID: Thank you.

Mr. ANDRAS: I would just like to add to Mr. Reid's point about Kenora to Winnipeg and so on; I would like to put in Port Arthur at the other end, too.

Mr. SALTSMAN: Mr. Chairman and Mr. Penton, I am very interested in this question of industrial development. You make the statement on page 2 that community industrial expansion will be set back immeasurably. I would like you to explain what you mean by that, and, at the same time, if at all possible, to indicate to me the role that communications have played in your industrial development. In other words, do you think your industrial development is really due to the transportation factors which exist in this area at the present time.

Mr. PENTON: Mr. Saltsman, communication and transportation are vital for any industrial expansion. I am sure everybody will agree to this. We thought that we had it. We have been designated by the federal government as a designated area and thereby industrial developments have available grants from the government; and, of course, this is having its effect in this area. Industries are making requests, and in fact are establishing in this area. But based on the fact that we have the main line of the Canadian Pacific going through, that we have a branch line of the Canadian National and that we have an air service. Now, unless we have these tools in our kit, as it were, when we were trying to sell these industrial people to develop in this area and can present something that I think is a dirty word on this committee—I am thinking now in terms of freight which, of course, is the most important.

The CHAIRMAN: It is not a dirty word, it is just not in our terms of reference.

Mr. PENTON: The fact is that if we have not got all these tools in our bag, and we are losing them, we have very little to offer. What do we tell an industry requiring rail transportation about rail service. We cannot tell them anything about it.

Mr. SALTSMAN: You can correct me if I am not interpreting you right. What you are really saying is that the movement of goods is really what is important to the industrial development rather than the movement of passengers.

Mr. PENTON: I would suggest, Mr. Saltsman, goods and passengers must go hand in hand. There are no goods until there are passengers. You cannot deliver goods to a vacant lot.

Mr. SALTSMAN: I would suggest that it is quite possible not to have a single passenger get off, and to have millions of dollars worth of goods move out and in.

Mr. PENTON: This is right.

Mr. SALTSMAN: I am trying to separate the two.

Mr. PENTON: On one day this could happen, but then the next day the passengers may get off.

Mr. SALTSMAN: I am talking about a long run thing in terms of industrial expansion. It is quite possible for you to have a brick factory here, and that is all, and to have millions of dollars worth of bricks going out without any people getting off or on in the town at all.

Mr. PENTON: This could be. My suggestion is, however, that in line with an industrial expansion you have no passenger service in or out; and if the "Canadian" goes and the Air Transport Board removes the only air service, we have nothing left but the private automobile and buses. In the winter time, as Mayor Henderson says, we will have to use the dog teams; I can tell you this, that fifty years ago our forefathers had much better rail service in here than we have today.

Mr. SALTSMAN: They may have had better rail service, but did they have better transportation. We have many forms of transportation today which did not exist in that time.

● (12.35 p.m.)

My concern with this matter is that I have often sat, in the position you are sitting in now, as an Alderman on behalf of the Municipality I represented, where industrial development was vital and where we wanted everything. We wanted air, we wanted passenger, we wanted trains, we wanted bus, even dogs, if they would bring industry in. This is a very natural concern on the part of an Alderman. We, on the other hand, while we feel very deeply for your problem, also are very cognizant of a national problem. The national problem is one of rationalizing our transportation.

One of the things that inhibit the overall growth of Canada, in terms of our ability to produce and to compete, is our high cost of transportation. It is not a question that our transportation people are inefficient always; it is a question that the nature of the country makes it very difficult to move goods and services in the narrow belt across the 49th parallel. Therefore, there has to be a very definite rationalization of our transportation industry and we are not going to get this rationalization, I would submit to you, if every municipality wants every form of transportation in their particular municipality. Municipalities are going to have to set some orders of priority. Could I have perhaps an opinion from you on this expression.

Mr. PENTON: This, Mr. Saltsman is pretty much my view. I recognize that certainly the total picture has to be considered, and this was the reason for the last paragraph in my submission. The first sentence is, of course, local, "Brandon needs increased rail service, not a decrease in service", and then I said, "I suggest that we do not want our 'pound of flesh' from the CPR by giving us back a limited version of the "Dominion". I am suggesting that we vitally need a realistic approach by the government to search out a transportation policy which will adequately provide just what you are saying. This, generally speaking, is what I had in mind.

Mr. SALTSMAN: It has been a very interesting conversation. I would like to pursue it further with you, Mr. Penton, but I see the Chairman has looked at me and looked at the clock and indicated that perhaps I have spoken enough. I wish to thank you very much for your very frank answers.

Mr. BYRNE: Mr. Saltsman put the problems so succinctly that I find it unnecessary to ask a question.

The CHAIRMAN: There is only one statement here on page 2 that I would like to clarify with you, Alderman Penton. You say that "... the industrial boom in this area has been accelerated and helped to the greatest degree by the Federal Government's designated area program." At the same time you say, "we find that the same government which helped to cause the boom giving 'aid and comfort' to those proponents of a discontinuance of a vital service to a community". Will you tell me what you mean by that statement because, as a private corporation, the government has no control really over the CPR. It is to the Board of Transport Commissioners that they apply. I would like your explanation of this.

Mr. PENTON: Perhaps I am getting the Board of Transport Commissioners, which is a government agency ...?

The CHAIRMAN: No; an agency of the Federal Government.

Mr. PENTON: Perhaps I am getting the Board of Transport Commissioners which is an agency of the Federal Government mixed up with the government but I feel very strongly that the Board of Transport Commissioners is certainly giving aid and comfort to those proponents. Perhaps I could change the word to "government"—that the government, on the one hand, Mr. Chairman, are providing substantial grants under the designated area program.

The CHAIRMAN: Yes.

Mr. PENTON: And then we find the opposite situation causing us to perhaps lose the advantage of the grants because of the inadequate transportation policy of the Federal Government.

The CHAIRMAN: Fine.

Mr. Ballard, you had one last question.

Mr. BALLARD: Just one more question. From the reply that you gave, I would gather that you feel the Board of Transport Commissioners are very much biased in favour of the CPR?

Mr. PENTON: My personal view. Mr. Ballard, is very definitely yes, I think they are biased in favour of the CPR.

Mr. BALLARD: Thank you very much for your presentation.

The CHAIRMAN: I call on Mr. G. D. Box, of the City of Brandon.

An hon. MEMBER: Do we have copies of the brief, Mr. Chairman?

The CHAIRMAN: No; Alderman Box, I understand, just wants to comment on a brief that was presented to the committee.

Mr. Box: Mr. Cameron, it was I who prepared the brief which was presented to this committee on March 24th in Ottawa. It is appendix I, page 487, issue 7. It should read page 485.

Mr. Chairman, before I comment there does seem to be some background in the discussion this morning, that does not appear to be common knowledge to the committee, and that is regarding train passenger service in this area.

The taking off of the "Dominion", which was a transcontinental, just seemed to be the last straw. Prior to this we had passenger service in Southern Manitoba paralleling the line between Winnipeg and Brandon with the west, what we call the No. 2 line, and further south we had passenger service on the CNR line. These passenger services, since the end of the war, have all disappeared. We are now down to just passenger service on this one main line and it is the final straw that seems to be what we are clinging to, and we are concerned that we are going to lose further passenger service, and that is really the main concern. I felt, in the questioning that was going back and forth, that the committee did not seem to be aware that many passenger trains have been taken put of this area, not just one.

Another comment I would like to make, Mr. Chairman, is that this type of problem is much more important to towns and cities the size of Brandon, Moose Jaw and Medicine Hat than it is to the big centres of Winnipeg and Calgary, which have so many alternative sources of transportation.

I do hope that the committee will have time to peruse the brief which was submitted in eastern Canada because I see you are being snowed under by paper. This brief was submitted on behalf of our City Council here in Brandon; it was unanimously endorsed. The views are seriously held and seriously presented. In this brief we have—

Mr. CARTER: Mr. Chairman, on a point of information. Is this copy of the brief the appendix on page 485?

Mr. Box: 485—yes; I think it is appendix "I", Sir?

Mr. CARTER: Appendix I.

Mr. Box: In this brief we have shown our population growth and we have documented our expected population increase. We have done the same with our industry.

His Worship, the Mayor, has spoken of our immediate needs, but I am more concerned with our future needs. Here we are trying to battle to build industry in this part of the country, to build jobs for young people who are growing up here, to build jobs and the curtailment of industry in all fields, not only the railway, is seriously hampering our efforts.

We have problems here in Brandon, not only in rails. We now have to face a similar thing in regard to our air service which is threatening to be curtailed

entirely; and of course—which is not of interest to you—we also have problems in the trucking industry in and out of Brandon.

It seems that just at a time when our city is going ahead and we are starting to get industry here, all at once we have to battle to save what is most necessary for development as well as for population convenience, and that is our rail service.

We sincerely feel that in this particular field of passenger service in and out of this community—and incidently, it is not only our own city of 30,000 people we serve; we serve east, west, north, and south; our normal trading area is 186,000 people. A part of this, of course, is covered by Virden where there is a terminal, but this trading area at least services 100,000 people. They have no other means; they have got to come to Brandon in order even to make connections to get into Winnipeg eventually to get into an aeroplane.

We hold this view seriously and we need this rail transportation for passengers, and any further curtailment would be most serious. This is serious enough.

Those are the points that I want to make. Thank you very much.

Mr. ANDRAS: You talked about the size of Brandon, Moose Jaw and Medicine Hat—the size of these communities as compared to the larger communities, Winnipeg, Calgary and so on which you said had so many alternative choices of transportation. We have had some discussions ourselves, as result of witnesses' evidence on this western trip, on whether this is really a problem of regional local passenger transportation as opposed to transcontinental. Previous witnesses today have indicated, in answer to that kind of question, that they stay with the idea that the transcontinental train is the priority; and yet your statement there would indicate that if passenger train service could feed the people of Brandon too, these nodular points such as Winnipeg where the alternative, the extra-alternative transportation is available for transcontinental, this might be the answer.

Since we would have some difficulty in getting the ideal perfect solution, is it not a local situation that has priority?

Mr. Box: I feel that you have been misinterpreted, or I have not been clear in what I wish to convey. I feel that citizens in cities this size have a right to transcontinental transportation. This is our need. It is not local transportation.

His Worship, myself and Alderman Penton who has spoken will attend the mayors' convention in Vancouver shortly. To make sure we are going to get there on schedule we booked our passage on rail one month ago. If you do not do this you have not got a hope of getting on.

Our concern is transcontinental passenger service, not getting in and out of Winnipeg. We have buses and cars and some rail transportation.

Mr. ANDRAS: You want to be able to get on at Brandon and go anywhere in Canada without transferring to other means of transportation.

Mr. Box: Certainly; we went to Windsor to the mayors' convention last year; we got on the CPR here and we went. This is the type of thing. As we grow industrially, there is more and more demand for this. Everybody does not like travelling on aeroplanes.

Mr. OLSON: You talked about the problem you had in attempting to promote industry, or encouraging industries to establish a plant here. Do they ask you about this matter of railway passenger service?

Mr. Box: Oh, yes; that is one of the things. I have not had a great deal of experience in this, but I have been connected with the industrial commission almost since its inception almost ten years ago, and certainly the people I have contacted, and with whom we have discussed the location of industry, perhaps local people building—transportation is one of the essentials.

Incidentally, we are starting to have results. We do have an industrial expansion in our city. We have some very large plants under construction right now. It is unfortunate you people would not have opportunity to be sure and see these plants being built.

Mr. OLSON: I am very happy to hear that. But what I am concerned about, so far as railway passenger service is concerned, is your suggestion that people planning new industrial plants in Western Canada are in fact discouraged from doing it because of lack of fast railway passenger service.

Mr. Box: I would not say they were discouraged, but it is certainly a handicap.

Mr. OLSON: It is an important factor, is it?

Mr. Box: I feel so. I feel this very strongly.

Mr. OLSON: They have told you this, have they?

Mr. Box: Oh, yes; if you talk to somebody about a plant or about a service—and many of the things that we develop are service industries—transportation is fundamental.

Mr. OLSON: Passenger transportation or...?

Mr. Box: All forms of transportation.

Mr. OLSON: What about air service? Is that a problem for you, too?

Mr. Box: It certainly is, we will be talking to the Department of Transport. In fact we have had two discussions with them this year about air transport. We are threatened with the complete curtailment of the present air service we have, which is inadequate. They just want to take the aeroplane from Winnipeg to Calgary to Vancouver. They do not want to stop at the small points.

Mr. OLSON: I understand that, but it is passenger service as it relates to industrial promotion that I am concerned about. This gets involved, too, does it?

Mr. Box: Certainly, because if you get an industry with a large number of employees they also have to have the personal convenience of moving about the country. There is sickness, death, there are different things; there are holidays; they want to be able to move.

Mr. OLSON: In a city the size of Brandon, does the head end traffic that was on passenger trains and now gone—does that have an adverse effect here.

Mr. Box: I did not understand your question.

Mr. OLSON: When I talk about the head end traffic, this is the express that they carry on passenger trains. I presume that you are no longer able to ship express by rail.

Mr. BOX: I am not an authority in this field. I do not know about express. I do not know anything about express.

Mr. OLSON: Thank you very much Mr. Chairman.

The CHAIRMAN: Gentlemen, we will adjourn as soon as this brief is completed, and resume an hour later.

At that time we will take the Brotherhood of Railroad Trainmen first; then Mr. James Doak, Q.C., President of Virden Community Development Corporation and then the Chamber of Commerce brief which will be highlighted because it was presented to us once in Ottawa, but there are certain important areas to be stressed.

Mr. BURNESKI: I am sorry, Mr. Chairman, but I have only the two copies. I will get extra copies after lunch.

The CHAIRMAN: This is Mr. A. D. Burneski, of the City of Brandon, past-president and a member of the executive of the Manitoba Urban Association.

Mr. BURNESKI: Mr. Chairman, Mr. Minister and Gentlemen, I thank you for this opportunity and privilege to make representations concerning the passenger service of the Canadian Pacific Railway, with particular reference to Dominion trains Nos. 3 and 4, 7 and 8. What I have to say before you today, which undoubtedly, serious minded persons in various fields of interest and endeavor throughout our nation may have already stated in some related way, may appear repetitious in relation to what I have to report. Please accept my apology and consider my appearance and presentation as having value at least in terms of emphasis and the desire to be included and recorded among those protesting and holding the most serious views about the wisdom and the necessity of the Canadian Pacific Railway Company for having discontinued one of the two trans-continental trains serving our nation.

Appearing before you today, I do so as past President and a member of the Manitoba Urban Association which represents virtually all the cities, towns and villages in Manitoba, and which I did represent at the Board of Transport Commissioners' hearing in Regina on October 14, 1965. The association unanimously resolved—and I have no reason to believe otherwise today or that any change has taken place—that it would be stated most decisively as being opposed to the discontinuance of the "Dominion" train service, and would most certainly urge the restoration of the services.

I appear, also, as a customer dependent on it for passenger, package, and mail service for the business in which I am engaged.

As a member of the Council for the City of Brandon, I am in a position to reflect the predominant view of many citizens urging the restoration of the services of the "Dominion".

Last but not least, I am a shareholder who holds the view that the operation of the "Dominion" train, if continued with enthusiasm and sound business practices, capturing the maximum potential, would not need materially or substantially be considered undesirable financially. Nor as a depressant on the profitability, in terms of an integral part of the total operation of the rail system.

The decision to end the service, even though made with the approval of the Board of Transport Commissioners for Canada, cannot, and does not, give, priority to the public interest. It does in fact negate the very important purpose for which the company and the railway were originally chartered, and contractually obligated, which is that it would be thereafter and forever duty bound to efficiently maintain, work and run the Canadian Pacific Railway; not primarily as an airline, not as a holding company, not as a transportation advisory service which, after the discontinuance of the "Dominion" trains, would suggest and point with confidence to the fact that the passenger transportation was now available on overcrowded buses; nor was it intended to serve only the short-sighted and selfish interests of the shareholders, but as a national facility providing, perpetuity, transportation of passengers and commodities for all the people of Canada.

Our suspicions have been further aroused and confirmed by the record in the House of Commons Debates, Thursday, February 10, 1966, page 1022 and 1032, and on page 1208 of the record by the Honourable Mr. Olson, M.P. and by our own Member the Honourable Walter Dinsdale, M.P., that the discontinuation of the "Dominion" train service is not, and cannot be, supported completely and logically, applying, and subjecting it even to, the single and not necessarily the most important test—that of profitability, which was statistically and selectively tailored to suit and to fit the thinking of railway's management in its avowed purpose and design to bring about the result now facing our country.

One would wonder what rationale the management of the railway would apply in relating its policies to those of the recent merger of the New York Central and the Pennsylvania Railroad, having 5717 passenger cars pooled, projecting continuation of passenger services in an area with many more transportation alternatives than are available in Canada, and particularly Western Canada, holding every reason and hope and expectation of efficiency and profitability.

Mr. Chairman, Ministers and Gentlemen, we are not convinced, nor are we satisfied, on the basis of the Canadian Pacific Railway's commission submission and presentation to the Board of Transport Commissioners of Canada, that the board order of January 7, 1966—No. 119542—is completely justified, and would submit, Sir, that there does appear to be more than sufficient grounds for an appeal against the said order.

Sir, I would respectfully recommend and urge you and the honourable members of your Committee seriously to consider the implications of the shortsighted policies of the Canadian Pacific Railway against the background of our national growth and development, considering and reflecting on the transportation gap which would result in times of national emergency.

I trust that you will recommend to the Minister and to the Standing Committee on Railways, a recommendation for the restoration of an improved "Dominion" train service. I respectfully and earnestly solicit, on behalf of all concerned, your support in this matter.

Mr. CHAIRMAN: Thank you very much, Alderman Burneski. As much as many of us feel that we are ministers, I am afraid that there are not any of them around here, thank goodness, right now, but I will open the questions with Mr. Olson.

Mr. OLSON: All I want to say is that I admire your wisdom in the selection of the authorities which you quoted.

Mr. BURNESKI: I have an apology, sir, I could not get your initials and that is why they are not there.

Mr. SHERMAN: Just one question, sir. There have been indications in our travels across the west that a great many communities and groups in the west feel that the "Dominion" passenger train, as it was originally constituted in the late 1950's, before the downgrading began—that a passenger service of that kind more adequately and suitably filled the needs of western Canadian communities because of its timetabling and its scheduling and its general operation—more adequately filled the needs of western Canadian communities than the "Canadian" does. May I ask you, sir, whether you are pressing for two transcontinental CPR passenger trains, or whether you would be satisfied with one that adhered to the "Dominion" type of schedule rather than the "Canadian" Type of schedule.

Mr. BURNESKI: Oh, I think, sir, there is merit in having the two transcontinental trains because of the time factors and the schedules; and I think that there have been times when I have taken one and then taken the other for Eastern Canada for various reasons of my own.

I think that the "Canadian" will not completely take the place of the "Dominion" nor would the "Dominion" completely displace the "Canadian". I do not think that that is a satisfactory possibility.

Mr. SHERMAN: There has been indication, though, that because of the way the "Canadian" is scheduled, it does not meet the needs and therefore it does not cater to the requirements and therefore is not in demand among the people of Western Canada in many communities because of the way it is scheduled. The schedule is inconvenient. Would not a convenient schedule on one passenger service suffice instead of carrying the one that is inconvenient?

Mr. BURNESKI: What may be convenient for one individual may not be convenient for someone else.

Mr. REID: Alderman, you mentioned in your closing remarks something about the passenger services of the amalgamated railways of the NY Central and the Pennsylvania, and you mentioned again something like 5717 passengers. You referred to what they were doing there and what we should be doing here in Western Canada and Canada as a whole.

Are you not aware that the area that this railway serves is the most densely populated area in the United States, and that most of its passenger traffic is done on the basis of grants because it is a subsidized commuter service? In my opinion, at least, it does not have any relevance to the situation that we face out here in Western Canada.

Mr. BURNESKI: I will be very happy to comment on that, Mr. Reid. First of all, I am also aware that there are 200 planes at any one time over New York City that must be stacked before they can land. The density of population is pretty well in keeping with the competitiveness in transportation also.

I realize that we are not comparing like things when we speak of the New York area, but, nevertheless, what I am trying to indicate is that there is

confidence that the railway system, particularly the passenger service, is not a thing which is dying; it has had its rougher moments, but it is certainly coming back as is indicated in one of these submissions on page 71, where the growth between 1964 and 1965 was anywhere between 40 per cent and 70 per cent. But, like the hen, you know, its neck was twisted before it was able to provide any further indications.

Mr. REID: In the case of the figures you quote; was it down in the metropolitan areas of our country, or was it in transcontinental service, or where was it? I know, for example, that the CNR on its "Rapido" between Toronto and Montreal is making a very handsome profit on a very wealthy kind of train.

Mr. BURNESKI: West out of Sudbury there was a 44 per cent increase between '64 and '65. West out of Winnipeg there was a 40 per cent increase. West into Vancouver there was a 50 per cent increase in one year. The totals of the first-class coach were 6199 eastbound ex-Vancouver and 9081 westbound ex-Winnipeg.

Mr. REID: What rail-lines were these on? Is this the combined C.N.-C.P. or just CNR?

Mr. BURNESKI: The "Canadian" would take care of some of these in the absence of the "Dominion", in Mr. Warren's opinion. This is the submission of—

Mr. REID: What was the total increase for all of Canada? Is it marked in the—

Mr. BURNESKI: Well, that would be an average of those respective figures. It would range somewhere between 40 per cent and 50 per cent.

Mr. REID: A forty to fifty per cent increase in one year in total passenger service across Canada?

Mr. BURNESKI: I did not write this.

Mr. O'KEEFE: Mr. Mayor, would you advocate nationalization of the CPR?

Mr. BURNESKI: No. Basically I think we should avoid that; but I am afraid that the policies which are now being pursued will precipitate that.

The CHAIRMAN: Thank you very much, Alderman Burneski.

Gentlemen, in light of the time, the adjournment will now be until 2:30. We will return here at 2:30.

We will commence with the Brotherhood of Railroad Trainmen, Mr. Doak, Q.C., and then the Chamber's brief.

Adjournment.

AFTERNOON SESSION

● (2.32 p.m.)

The CHAIRMAN: Are the Brotherhood delegates here? We will start with Mr. Doak then.

Mr. DOAK: Mr. Chairman, and members of Virden Community Development Corporation. I apologize; as a past president I was subpoenaed into this late

yesterday afternoon in the absence of the President of the Community Development Corporation. We only have about 4 or 5 copies of any remarks printed ready for today.

As I mentioned, I am appearing on behalf of the Virden Community Development and as a past president in place of the president today, and on behalf of some of my own experiences as a frequent traveller on the various means of communication from the centres of the Prairies down east and out west. I have a few of these comments and experiences to relate to you, which, I assure you we have all been through in that area.

Firstly, so that you will have some idea, you have heard his worship, the Mayor of Virden this morning, but Virden's position in this overall transportation picture is that it is the oil capital of Manitoba in the eastern Prairies. Of course, it is not comparable in oil production with the fields in the Alberta, Red Deer, and Edmonton area, but it is the oil capital of the eastern part of the Prairies; and there are only two larger centres than the Virden area between Regina and Winnipeg, and those, of course, are the two cities of Brandon and Portage.

Virden has been for some time the entraining and detraining spot for all of southwest Manitoba west of the Brandon area, and for southeastern Saskatchewan, and I have noticed, different times that I have been on the "Dominion", that I have run into Dick Southam and some of the other members in from southeastern Saskatchewan, and they drive in to Virden and used to entrain when the "Dominion" came in at noon hour. However, that is no longer so.

It is an oil and mining centre and the personnel and business people coming to this centre come primarily from Calgary, Vancouver, Winnipeg, and some from Regina and Toronto. We only have one train now, the "Canadian". This arrives at 3:00 a.m. from the east and this tends, frankly, to almost eliminate, or certainly divert, most of the traffic off the trains from the east.

Further, the train from the west in the winter comes in at about 7:13 a.m., and neither at this time in the early morning nor in the middle of the night are the station facilities available other than the bare empty waiting room. Tickets cannot be purchased; they must be arranged for at a prior date or prior time than departure.

You can imagine it is difficult enough for a business man to go down to the station in a centre that was a centre in which 4 and 6 trains a day went through—to go down to an empty station at 3 o'clock in the morning and try and stop the Canadian train. But it is out of the question to send your wife or your daughter down there at 3 o'clock in the morning. You arrive at this empty room, you wait in an unattended station and generally you have no idea roughly when the train will arrive and you have no clerk nor anyone with whom to communicate.

The hardened C.P.R. traveller will probably first phone in the early evening to see if the train is on time; then he will go to bed and wake up at about 2 or 2:30 and he will make a second long-distance phone call at his expense to the Yardmaster at Brandon, or to Broadview, and they will tell him if the train is on time. Then you know you can go down at 3 o'clock or 2 o'clock depending whether it's summer or winter.

The first phone call, of course, you would be foolish not to make because if the train is running 6 or 7 hours late it is not going to come through until 7 or 8 in the morning, and you can have your night's sleep. You make that call and that is at your expense. Then you would be foolish, of course, not to make the second long-distance call, because if you get up at 2:30 in the morning and go down to the train, it is quite likely that it will not come through until 4:30; so there is no point in sitting down there for $2\frac{1}{2}$ hours. Having made your second phone call and having been assured—Verdin being one hour west of Brandon and roughly an hour east of Broadview, which ever way you are phoning from—"Yes, the train is on time. It has left Brandon. It will be in Verdin on time at 3 a.m."—you wander down to the station. Having been assured that the train will arrive on time and having just left Brandon at that specified time you wait and, of course, it does not arrive—quite frequently—so you have to go to the bus depot, or if you happen to have the right amount of change in your pocket to use the pay phone, you phone and say, "Where is the train?" They say, "Well, the train is right in Verdin now." You say, "No, it is not. I am here." They say, "Well, it should be." This is the only consolation you have. At this moment you hear a "hoot-hoot-hoot", and you are across the street from the bus depot trying to phone, and you think "There is my train; you could miss it," and you rush back over and you arrive at the platform just in time to find the fast freight going through. You know if it is the fast freight going through. It is going to be at least 20 minutes before they let a passenger train come down the track. Therefore, although they assured you that the train was there you know that you have another 20 minutes or so to wait.

Now, this poor miserable traveller is waiting in this room, and the only sort of communication he has at this time is with his other bored and miserable co-travellers, and while he is sitting there not too unfrequently those who are not travellers will come in and lie down and go to sleep on the floors or the benches of this unattended waiting room.

As I say, you can imagine that you cannot have women travellers coming down there. I was talking to another traveller the other morning, who waited until 4.30 for the train. He said the people were waiting in their cars outside, and when he came along, a man, then this lady and their daughter ventured into the waiting room. Frankly the guessing game now on the Prairies is not "Button, button, who has the button," but "Train, train, where is the train!"

At last your train arrives; you have two or three bags, you see, your baggage car is away up front and your pullman is back further. They always stop it so that the pullman people are away out in the yard. Now, you try to load onto baggage car those two or three extra bags which are not going into your sleeper or bedroom, and get on the pullman car in a very short time. There is no man there to guide you; there is no baggageman or any other staff there, and you can imagine how impossible it is for a lady traveller.

At the last meeting we had down east I was meeting my wife. Very kindly and with all due respect, I must say that the agents, clerks and all the employees on the local level are tremendous on the CPR. One of them came down an hour and a half before opening time and personally took the wife's bags and

got them onto the baggage car on his own time. This, of course, was just one of those favours that a person does for you, but these people are between the public and the railway.

Frankly, the result has been that businessmen are going CNR. The nearest stop is about 64 miles from Virden on the CNR mainline, which is Brandon North. As I was mentioning earlier to the mayor today, we have had to try to get Miniota declared a stop by the CNR. Virden North is 20 miles away—but they tell us it can only be Brandon North or St. Lazare, which is over on the Saskatchewan border. Therefore, one has to travel 60 miles one way or 120 miles return to get onto a transcontinental train unless you take this one CPR train at 3.00 o'clock in the morning. Well, the people coming from Toronto—and we have a lot of them coming in the mining industry—are not doing that. They say, "Meet us at Brandon North on the CNR". So we have to dispatch a car or arrange other connections for them. Normally we cannot expect these men to travel on buses because a lot of them want to do some work on their briefs and so forth. At other times we arrange to lend them a car to go to Winnipeg, because there they can catch the four trains of the CNR or the CPR coming in at a better time. Now sometimes this is possible and quite feasible and easier to do in the summer than it is to travel CPR. However, in the winter, when you dispatch a car or a bus, invariably you have storms come up and the person is locked in either Winnipeg or in some other centre, or stranded on the highway. So that in the winter time your choice is to travel either on this one train at 3.00 a.m. in the morning which, of course, can run quite late in the winter, or you can take the risk—and it is a serious risk in the winter—of being stranded on a road some few hundred miles from your home centre, and it is 400 miles, as I have said, from Virden to Winnipeg.

There was a day, you know, when they used to say to young businessmen and professional men, "If you pick a town on the mainline of the CPR—this is the steel band that binds Canada across the nation; this is the one symbol of our nationhood and this passenger service represents it—if you settle on such a mainline, you can always be very sure that your town and your economy will be reasonably stable; that you always have access out and you have a chance of attracting industry and development."

In my own experience between December and March, from the different national offices that I have had occasion to hold, I have had to make at least three long distance trips east and west in that period, three of which I made by rail and each one of them I made by CNR. Now this speaks for itself. I live on the CPR line, the station is exactly four minutes from my home, and yet I will travel 120 miles return trip to go CNR rather than CPR. This is because the trains on the CNR are frequent, you can get them in the middle of the day, and because reservations are reasonably obtained, and frankly the rates are normally lower.

Now, I can think of an example. A year ago now we had to attend a convention in Toronto at the end of August, and I made reservations for my wife and myself in May. The reservations did not come through and, around the middle of the summer, I was talking to one of the other officers of this national organization in Winnipeg, who was going to Toronto, and he said, "I think instead of flying, I will go by rail." I said, "Normally, this is a much more

pleasant way to go," and I talked him into going by rail. Within a week he had his reservation out of Winnipeg; I still did not have mine out of Virden. In other words, there seems to be a tendency to block these out and reserve them possibly from Winnipeg, and not give reservations from these intermediate spots until they see what space is available. So I went to my local agent—he is a prince and so are his clerks—and I cited this experience to them and they raised the dickens, and as a result, after about another ten days, I got my reservations, but after waiting some two to three months and having people in Winnipeg being able to get theirs immediately.

This has been the picture on the "Canadian" that I have experienced versus the CNR. Now before the "Dominion" was taken off we travelled it regularly too, as did the other businessmen in Virden, because a lot of our work was also of a short range nature, such as at Regina or Winnipeg, in addition to national trips. It was not infrequent to go into Winnipeg on the "Dominion" twice a week, certainly once a week. Frankly, this trip became more and more objectionable as time went on.

Eventually, they got a long string of express or box cars and put one coach on the back of it, and this was supposed to be the "Dominion". Again it stopped away out in the yard, the luggage was loaded onto the platform, and the public would have to wander down to this one coach. Then they took off the cafe-parlour car and you could not eat. On the last few trips they even took the newsy off. I can tell you of an experience on one of the last trips on that little old Toonerville trolley, and that is all it was. The Toonerville trolley was coming into Brandon, it was 40 below, and we had not had anything to eat. So they had a short stop at Brandon and I rushed out to get myself a sandwich. I just had time for a sandwich, no time for pie, and the Toonerville trolley started off. I got on and we just got out a little way when they stopped and backed up to let an old couple on. This couple had been in the station at Brandon for half an hour waiting for this train, but, because it was cold, foggy and frosty, you could not see outside very clearly unless you got right out on the platform. They had been assured that they would be told or given information when the train was in. Those poor people were so annoyed that they sat there for almost 50 miles, after leaving Brandon, as they thought about all the arrangements they had made to get on this train and then it had pulled out and left them. This seemed to be the whole attitude toward the operation of the Toonerville trolley.

Now, frankly, we find on the prairies that rail transportation is not a luxury and it is not a choice. We speak of buses, but is there any choice in the winter when the roads are drifted or when they say, "Stay off the highways"? Is the bus any choice in this type of country? Is the bus any choice to the man who wants to do some work? In a train you can get into a bedroom, and even on the day coach on the Toonerville trolley they used to obligingly put up a little desk and you could do a little work on it, but you cannot do this on a bouncing bus seat. A bus takes 5½ hours to go from Virden to Winnipeg, it goes into every little town of 100 or 200 people, and this is quite an exhausting trip. In fact, the other day the Mayor told me he had been down to the West Indies, I believe, and it took him longer to come from Winnipeg to Virden than it did from the West Indies to Winnipeg. This is true in all of our travels. We go

to more effort to get into Winnipeg or Brandon to get onto international transportation facilities than we do when we get there.

As you know, it only takes two hours on a DC-8 flight to go from Toronto to Winnipeg and yet we are spending four and four and a half hours to get to it. Yet without this regular transportation or rail transportation on the prairies, we are in an area which can very quickly become immobilized; it can become drifted and frozen in. What we are afraid of is, as went the "Dominion" so will go the "Canadian". It will be downgraded; it will probably continue to run late; the service will get worse, and eventually that one band of steel, that one band of passenger traffic, the one thing that keeps the nation together, that one symbol will go.

Now we are not arguing for an unreasonable or an uneconomical approach to this train transportation problem; this is not expected. However, something is expected, surely, that is simple, clean, and efficient, some form of daily commuter service or day liner which can be provided at least once a day, during the day, each way, between Calgary and Winnipeg, and then at Winnipeg you could connect with your four-seat CNR trains, or you could make connections at Regina to go on to Edmonton. If there were a modern commuter car with some limited lunch facilities, which might even be the use of these press button machines where you can get a sandwich out, if the traffic did not warrant anything else, but at least there would be some food on the unit; if it was kept clean and attractive the people would use it because it would be easier to ride on; it would be faster than buses and you could even to a little work on it if you wanted to. Such a commuter would also be reliable which is important in this area in the winter. We need this daily passenger service, we need it during the day, and we need it across the CPR main line because this is the main line that binds the whole southern part of the prairies, as the CNR does the north. Unfortunately, unlike Portage, once you leave Portage these lines diverge and the whole southern part does not have the advantage of alternate transportation on the CNR.

This is a social and economic need which is not only necessary for our development, but we feel it is very necessary to prevent a deterioration of the major centres outside of Calgary and Winnipeg, along the main line. We feel that our Canadian economy is dependent upon this; it has helped in the development of these small cities and market towns. If industry is to diversify, as we preach at each level of government, as we preach through our community development corporation and our regional development corporation, all the work, time and money we are putting into this is lost if we do not, at least, have a minimum daily passenger service. Such a service must be maintained if we are going to carry out these policies, and if we are to invest money in the development of industry.

You can well imagine how difficult it might be to try to sell a business in the town of Virden, with all its facilities, or in a town such as Moosomin or Indian Head. You cannot sell to these businessmen if they have to say to you, as the head of one of the largest mining companies in the world said,—"How do I get back out of Virden?" I said "Well, there are some buses in the afternoon". In fact, I sort of gave him a muffled answer, and was able to get him a ride with the deputy minister. This was the only way to get him out of there in any kind of comfort and style, after which he could take the CNR train in Winnipeg.

Now, the mainline of this CPR, as you know, crosses various bodies of natural resources such as oil. There is not only oil in this area, as you know and as you saw as you came over the line this morning, but there are potential potash developments. As this railroad crosses even the smallest oil fields in the Virden area, even as it crosses the right-of-way which is only a few feet wide and 2,600 feet long per quarter section, do you know what the revenue is from the oil off those fields? Well, we do because we fought to recover some of these oil rights on some of the branch lines under Section 198 of the Railway Act. If those farmers recover the returns from that oil they are getting anywhere from \$2,000 to \$10,000. The CPR is getting, by the equivalent amount of money on the main line, \$6,000 to \$7,000 for crossing a quarter section of land 2,600 feet long and so many feet wide. You can imagine the potential and the wealth that must be in these land grants if that 2,600 feet will yield an average of \$6,000 and \$7,000 in shallow well oil producing areas.

Now, any business, of course, admittedly can take the position—and we may often feel this way in our own businesses—that some part of the business is uneconomical. We are in business to do business and we have to gauge the profit of the business as a whole, including the uneconomical portion. At the time these lands were transferred to the CPR, we say that you have to follow the same line of cases as the courts have followed in other cases. There have been arguments over who owned the sand and gravel and whether sand and gravel is a mineral. You do not look at the definition of sand and gravel today to see whether it is a mineral. The Supreme Court of Canada says no in the Beaumont versus Western Minerals case. You look at the vernacular; what was meant, in the words of the engineers, that day when the ballast was put down on the railways. On that basis they decided it was surface and Alberta brought in the Surface Sand and Gravel Act.

And so when you are interpreting this contract with the CPR you must look at the vernacular of the people who made the contract, the language of the day of the engineers and businessmen, and what was to be provided—an efficient service. An efficient service then was not limited, and should not be limited today, to freight service.

Now this voice that we give you of development in industry happens to be of the Virden Community Development Corporation. However, I have served as solicitor for West-Man Development, which is a regional development corporation, and other groups such as this. I say that this is not only the voice of Virden, but it is the voice of all those smaller centres, smaller than the City of Brandon and the City of Portage, all the other Virdens along the mainline.

I often think of the brief that was submitted by the Lenore subdivision, which is not a mainline subdivision, but is a branch line subdivision. I would just like to sum up by referring to that brief, which was sent to the federal government, the provincial government, the Prime Minister, the Premier of the province, and the Ministers of Agriculture. This is what the brief says:

We respectfully request the immediate appointment of a national transportation authority to safeguard and protect the transportation needs of the people of Canada and this area, and to arrest retrograde steps in transportation, that will deplete the population and depress development

and defeat the economic and social survival and well being of rural Canada in this area. And that absolute unconditional priority be given to such factors as these rather than any alleged possible economic savings on any particular line

—in our case it was a line, and I say any particular phase of the railroad business—

of any railway which received from the people of Canada large mineral and land concessions as part of its operations and which is operating at a substantial profit today.

Respectfully submitted, Mr. Chairman.

The CHAIRMAN: Thank you very much, Mr. Doak, for your realistic and reasonable presentation. You have provided us with a lot of new material, that is for sure.

● (2.40 p.m.)

Mr. SALTSMAN: Let me first of all say, Mr. Doak, how impressed I was with your presentation. There is something rather unique about your approach to this whole problem and I think, in the vernacular, I might say sort of a hard-headed approach towards the matter. It was not sort of a beating of the breast; it was a question of economics and the needs of the community.

I would like to ask you a couple of conjectural questions regarding transportation in your area. First of all, before doing that, how do you arrange for air transportation in your area if you want it?

Mr. DOAK: Through Winnipeg.

Mr. SALTSMAN: Do you phone direct to Winnipeg or do you have a travel agency?

Mr. DOAK: We have a travel agent and it can be obtained either way.

Mr. SALTSMAN: Let me ask you this. Do you see any merit in the establishment of a travel bureau that would handle all reservations, whether they were for trains, air, or bus? Now you have indicated there was considerable difficulty in arranging for reservations; the stations are closed, waiting facilities are not always proper, and you have to make other travel arrangements through an agent. Do you see any benefit to a community like yours from the point of view of people who do not know about calling the station master, in having a central agency that you could call, which would handle all forms of travel, rather than the way it is being done now?

Mr. DOAK: There is a certain amount of merit in that. The only thing is that you do lose this personal touch and, frankly, I would not have received the accommodation that I did—I do not mean I am being favoured; all I want is the same treatment as people in other centres—if it were not for the local man on the ground going to bat for me. I would hate to see these good agents and these good men on the ground being lost, but I do think there should be some overall policy with respect to reservations, whether they be by rail or by plane. When you put plane reservations through a travel agent they seem to come through exactly the way you placed them. I do not mean you get what you want, but there does not seem to be any question with Air Canada—and I am not

necessarily an advocate of theirs, or CPA and so forth—when you put a reservation through, the man in Winnipeg or Calgary does not get the jump on you. You receive your ticket if space is available; you do not get any favours, but you get it in proper priority.

Now what I am saying is that the rail system, whether it is a national rail system or a private company, is making it very difficult if they are practising a system whereby one has to wait for weeks for reservations which sometimes can be got in a week of two in the city. I agree with your suggestion that possibly there should be a national rail authority—not nationalization, but authority—whereby reservations, no matter which part of Canada they came in from, would have to be treated in the order in which they came in, rather than on the basis of the smallness or the largeness of the centre from which they came.

Mr. SALTSMAN: Now, you talked about a national transportation board. In almost every brief that we have heard to date this suggestion has arisen. How do you picture the function of a national transportation board? What would this board do?

Mr. DOAK: It would have to study the overall needs of transportation in Canada and in particular the areas in question. There would be some areas in which they would have to say, "Whether you like it or not, Mr. Doak, you will have to travel by bus because this does not warrant a day liner." I can see this particularly in the branch line areas because people do drive and congregate at one point to board a train. All we are asking for is one band of steel across southern Canada where you can get on the train and come in.

The Board would have to look at the point and decide whether or not there is a need for a day liner service or some sort of daily daytime rail service across Canada. The question of whether this type of service should be subsidized or not would have to be decided by this committee and parliament in the light of probably the CPR agreement. However if it is necessary in order to provide this service, even though I am against anything of a nationalizational or subsidy nature, this may be necessary because this country and the right-of-way was built on that line of the CPR. The minute we stop our passenger service that way we are going to get more and more travelling to line up from the south, which you get anyway to catch the Great Northern. I think it would be a very pathetic psychological blow to Canada to ever lose its main line CPR transportation authority. This is where your national transportation authority would have to come in. In this respect I am not referring to a board because a lot of us feel that although the boards act in the best of good faith, they seem so closely associated with the industry that they work with, whether it is rail, or liquor or highway traffic, that the public does not have the faith in the board that it does in the courts or in the House of Commons or, say, in some type of national rail authority that would see that these areas were served and, if necessary, subsidized.

Mr. SALTSMAN: This board would then in effect adjudicate between competing forms of transportation in a determination of what was best in that particular area, and the communities involved would have to accept the decision of this particular board?

Mr. DOAK: Right.

Mr. SALTSMAN: Now, as someone who has been in business and as someone who is a solicitor and has acted on behalf of various litigants, do you not see some great difficulty in adjudicating between the various interests involved in the granting of franchises, for instance, between a railroad and a bus company, or between a bus company and perhaps a limousine service? How do you go about resolving these difficulties?

Mr. DOAK: Well, you cannot resolve all difficulties, you cannot be all things to all men, but your point is well taken and wherever possible there should be some competing form of transportation. Although we are receiving tremendous service on the CNR I suppose we are faced with the aspect that if it took over all rail transportation, then it might deteriorate. For example, when Air Canada faced the competition of CPA, we noticed a pick-up in Air Canada. So that I think where possible we must maintain competition; it is the life line. However, where it is completely uneconomical to maintain competition, I would rather have some type of service.

Mr. SALTSMAN: Mr. Chairman, I have one last question.

The CHAIRMAN: Your time has expired.

Mr. SALTSMAN: I was leading to this point. Do you think it is possible to have this kind of a national transportation board without really nationalizing all forms of transportation because the inherent difficulty of reconciling the internal interests?

Mr. DOAK: I think we must try and let private enterprise, if possible, work within this orbit, but not let it have a complete freedom to the detriment of the public.

Mr. BELL (*Saint John-Albert*): I was interested in one part of your personal reference in your very good brief, if I may say. We have heard, in our travels, quite a bit about how the older people are still thinking in terms of railway passenger service, but the new and younger generation seems oriented to the air. I was wondering about your own thoughts, as a lawyer who I know travels nationally quite often, why it is that you particularly seem to think per se of railway passenger service for your own use instead of perhaps going by Trans-Air to Winnipeg and the like. Do you think that in time you will come to use the air, or is this a convenience, or are you old-fashioned and still prefer the train?

Mr. DOAK: There are three aspects to that. I made three trips to the east by air in February and I found it was rush-rush; you do not get caught up in your work. I like to take the train in order to get some work done on it. I have also found that this is the general swing amongst professional men, particularly out west. We all used the air almost exclusively after the war, and still do whenever we have to make rush trips which, I would say, are the majority of our trips. However, I would say that I take about three-tenths or four-tenths of my trips, a little less than half, by rail; I take them on a week end and I accomplish the work which I did not have done before. Now this is in the summer. But in the winter it is a different situation. Then we have no choice because we have difficulty getting into Winnipeg and sometimes even to Brandon.

to catch air transportation. As you know, we had the Winnipeg blizzard, and frequently, in the smaller areas, we may have these come up once or twice a month. On this last trip we had to leave our cars in Winnipeg; we had taken the CNR from Brandon North and had the car driven into Winnipeg, intending to come back by car. Therefore, you are not entirely masters of your own destiny. I think, as you say, there has been a tendency to air traffic, but there is also a swing back, a cycle, to rail traffic providing it is efficient and meets the needs. There is a place for both systems in the economy and, like so many new fads or new things, we go all one way and then we tend to come back some.

The CHAIRMAN: Thank you very much, Mr. Doak, I know you want to get away early. I hope we see you very shortly.

We have Mr. Norman S. Bergman, Vice-Chairman of the Transportation Committee of the Brandon Chamber of Commerce, and Vice-President of the Manitoba Chambers of Commerce. Mr. Bergman appeared before us in Ottawa on March 24 with the delegation of the western mayors. There has been printed to our minutes of Thursday, March 24, as Appendix H, the submission of the City of Brandon, Manitoba. Mr. Bergman is representing the City, the Chamber of Commerce and the Industrial Commission of Brandon. Since we already have the brief presented to us in print in our minutes, Mr. Bergman will touch upon the highlights of it and submit himself to questions.

● (2.50 p.m.)

Mr. BERGMAN: Thank you, Mr. Chairman. I feel somewhat like a clean-up man because I think everything I am going to say I have heard from someone else. There does not seem to be that much point in repetition, so I will make some observations. With respect to our submission in your minutes when we appeared in Ottawa, you must recall that we merely filed it and made no mention of it. This morning I think Mayor Magnacca commented on the address of welcome to this committee that was contained in the editorial pages of the *Brandon Sun* yesterday, which contained some information and so on. I think apart from me saying, on behalf of those different organizations which I represent, "Welcome to you", I would like to file this for your minutes, sir, and just read the first line which says:

Brandon welcomes the members of the House of Commons committee on transportation and communications which meets here tomorrow.

There is some meat in there, but I think it will save time by merely filing it.

The CHAIRMAN: We have a motion to have this printed; it is moved by Mr. MacEwan and seconded by Mr. Caron. You have the editorial of the *Brandon Sun* of Wednesday, May 11, 1966 entitled "The Dominion" listed in the normal course of our minutes in the brief of Mr. Bergman.

Mr. BERGMAN: I want to make one observation, Mr. Chairman, which I have not heard other people make to this committee. We made it ourselves at different times when we have been referring to this. I think I should tell you that I feel today that I am fighting for two things. One is the re-instatement of the "Dominion", on which you have gathered a tremendous amount of evidence. However, I want to make it clear that I feel—and I said this to the National Board of Directors' meeting of the Canadian Chamber of Commerce last

month—that today, gentlemen, we are fighting for the retention of The Canadian.

Now, I believe the statements of Messrs. Crump and Emerson when they say they want to get out of the passenger business. When you cross-examined them, if my memory is correct with respect to what I have read, on their submissions to this Committee at earlier hearings, they gave you no assurance whatsoever that the "Canadian" would remain for any permanent length of time. I think you must have that realization before you today. You have been on the train; I think you have been on it about three times or will have been before you leave. You have found that an attrition has taken place over the past several months with "The Canadian". It began long before the Dominion was taken off and it is in effect now.

I mentioned, and I think it is your minutes when the mayors were down in Ottawa, that one of the significant things I read when the two trains, the CNR and the CPR were lost in a snow slide in B.C., that a comparison of the published number of passengers that were on these respective trains were 135 on the CPR Canadian, and either 205 or 210 on the CNR train. Now, obviously this is an indication to me, that one is aggressively trying to run as many cars as possible to carry passengers, while the other one is not. I think you heard from Mr. Doak just a few moments ago, and this is one of the things I am familiar with, that it is a difficult problem—someone was asking a question this morning about discrimination of Mayor Magnacca, and he clearly said there was no discrimination as far as colour, creed, race or anything of that nature is concerned—and there is discrimination in this respect. Mr. Doak was perfectly correct in saying that when you want to get a long distance reservation on the Canadian out of Brandon, you have to wait until someone in Winnipeg has attended to it.

Now, I get much better service the few times, I will admit, that I use train travel, and I will say that I prefer it to air travel. When I want a reservation, and I have one day's notice to give it, I phone one of my friends in the CPR in Winnipeg. I find that I can get the reservation allocated to me in this way. If I do it through the Brandon office, I have to wait for the normal course of processing such a reservation. Now, this is discrimination of a nature. How they fix it, I do not know, but I do not think I should have any more difficulty in getting a train reservation, on adequate notice, than anyone else who is situated differently geographically than I am, provided these areas of reservation are available. But I want to make this point clear to you, gentlemen, that I feel very strongly on this point from what I have read of the late president of the CPR and the chairman of the board. I feel that they have warned us fairly and bluntly, as representatives of free enterprise, that they are going out of the passenger business. I do not believe there is anyone who examines their writings, their statements, and the quotations from their public speeches, that can disagree with that in any way. This is a problem in the passenger service which I think this committee has to look at, in making a proper assessment of the specific issue before them, namely the Dominion.

You have heard many comments about the agreement of 1880. This agreement was made under certain circumstances, where the then Prime Minister felt it was vital to bind this country together. It was an agreement in

part, that was for the development of Canada; it was also, specifically and politically, for the union of the extreme west of this country with the eastern portions. I do not think anybody has ever yet quarrelled with the idea behind the building of the CPR railroad.

You have heard various suggestions with respect to what was involved in the land grant and the cash grant. We have made comments in this regard in the brief which has been filed. However, I do agree with Mr. Doak who put the matter quite distinctly, and I am not going to take too much time on this particular point except to enunciate our thinking, because the governments of the four prairie provinces have all appealed to the Privy Council concerning the legal question as to whether or not there is a right on the part of the CPR to abandon this service.

Now, I want to strongly emphasize that the area of examination is, what did the agreement of 1880 mean at the time it was made? It is a fact that we have gone through a steady change of economics, a change in the modes of transportation, and we are living closer together, but all of these things are not to be taken into account when studying the agreement of 1880. I feel that they should be dealt with by legislation which is introduced and approved by the House of Commons in session when dealing with that particular subject matter. If there is something wrong, it can only be corrected by legislative change. I submit that the method of downgrading the Dominion, as I said in the brief, was a matter of being in contempt of the Board of Transport Commissioners when they did not return the Dominion to its status in September that it previously had. We made quite a bit of the fact that one engine, one coach and two passenger cars was reducing this to the degree of being merely a Tooner-ville trolley. I remember early in September, the first time I took a passenger from Montreal to get on that train to go back to Winnipeg and then onward to eastern Canada, I got a shock when I saw the condition of that train with regard to what had taken place deliberately as policy by the CPR, and I was ashamed that that train stopped in Brandon, even if it did carry passengers. I think we are entitled to a service that will be promoted and become efficient, and not one that is discouraging to ride on.

Therefore, our major submission, Mr. Chairman, is the fact that we want the retention of decent train services as existed in 1964 and prior to that time.

● (3.00 p.m.)

I believe I should also say this, and I hope I do not make too many enemies in distant parts, I feel that when the mayors of the eight western cities appeared before the committee, although they did not say too much, I wish that Calgary and Winnipeg were not associated with us in this particular submission to your study. I feel that they have gained certain developments in air travel; they have much better rail facilities than the smaller communities served by the CPR have in this southern prairie region, and I feel that a lukewarm partner is worse than no partner at all. In my opinion, anyone finding fault with our submission is going to look for the weaknesses and the lukewarm support. As nice as the people in Calgary and Winnipeg are, and I have many friends in both places, I do wish, for the purposes of this appeal, that they had not seen fit to associate themselves with us. They have a much weaker case than we in the West have, and therefore it is much easier to punch holes in it, and I would like our case to be as strong as possible.

I think you will agree that Canada is developing regionally. You have the Maritime region, you have Quebec basically as another region, and you have Ontario which is close by as another region. You have roughly, I would think, three and a half of the western provinces; you have the three prairie provinces who are all united in this problem of transportation, both with respect to rail passenger, highway, and air. You have British Columbia linked with them to some extent, but also developing, especially on the western side of the Rocky Mountains, in somewhat a different regional concept, with slightly different problems than we would have in our areas.

Therefore, you have to have a look at what the transportation requirements are in this particular region inasmuch as you are looking at it from a completely transcontinental approach. You have special studies or special comments on the regional development requirements of the prairie region. It was recognized by the Economic Council of Canada that these are the areas which have to be looked at to see what the needs are in this particular area to associate with the rest of Canada. I still say that the members of this committee, in your individual capacity as representatives of the country, as members of Parliament, have to give some sociological thought to the question of Canadian unity, and not let pockets of isolation develop in the different units. I am a little hesitant to try to make any comparisons with other particular problems. However, there is a feeling in the west, in the Prairie region—and I think this has been indicated to some extent in the ballot boxes that have been counted these past few elections—that we have been neglected. There is a feeling in the west, gentlemen, amongst many of them that we do not count. Obviously in the legislation you have passed, this is not a fair assessment. I feel that the Area Development Incentives Plan legislation is the most ideal legislation that I have ever known of for the development of certain areas that are suffering from the general growth ratio that is common, and many other factors. People like to know that you are concerned with seeing there is proper legislation, such as the Area Development Incentives Plan, and are taking a keen interest in seeing that private enterprise, which I support, does not bluntly look at the dollar bill and follow a policy of attrition, where they get out of the less romantic and the money losing area they say, of railway passenger service so they can move potash, sulphur and these other things. I feel that they are to blame themselves, to some extent, over the box car shortage and the way the hearings of the Board of Transport Commissioners started in Winnipeg last September, when some of our rural people hollered for the diesels to pull box cars instead of pulling passengers. I think that part of that shortage is the lack of faith on the part of the directors of our railroads in not realizing that potash would move as much as it did, that the sulphur development would be there, and that oil and these other things would develop as fast as they did. I think as a result of this poor estimate of Canadian growth, they automatically directed their thoughts to the less romantic and less possible areas of passenger service.

I once made a comment to a meeting of the Canadian Chamber of Commerce, and I am going to repeat it to you gentlemen now to try and express to you some of the feelings that we have developed in the west of being neglected. I said at that time, and I said it as a result of information that had been given to me, that Bill C-120, and I am going to mention it because it deals in part, Mr. Chairman, with passenger service, seemed to be railroad oriented

and the comment was made—now remember what I am saying; this is not an accusation—that Bill No. C-120 could not have been written better if it had been turned over to the railroad people to draw up and then submit. I am making no accusation that there was any collusion or anything of this nature; I merely felt that it was a completely railway oriented bill. And now it has come to light that the bill was basically written and prepared for the government of Canada by an employee of the CNR who was seconded to the department.

The VICE-CHAIRMAN: Mr. Bergman, excuse me for interrupting you.

Mr. BERGMAN: Do you want me to get out of this particular field?

The VICE-CHAIRMAN: Well, I think, according to the rules, you are away from the main subject, and further we have another brief to attack before we leave. We have already made accommodation with the bus line to leave here around four o'clock, and a few members have indicated that they would like to question you. If you would shorten your brief, it would help the Committee.

Mr. BERGMAN: I think I will stop there, Mr. Chairman.

Mr. BELL (*Saint John-Albert*): Well, as one coming from the Maritimes, Mr. Bergman, I certainly appreciate any criticisms that you might have, and certainly not only in the transportation field. I was wondering though if you would not agree that there is some inconsistency in your remarks in attaching the development of regionalism nationally when you yourself do not want to recognize that within each particular province, the large centres such as Winnipeg and Calgary should be recognized as the transportation centres?

Mr. BERGMAN: I did not say that at all. The point I was trying to make, Mr. Bell, was this, that you are going to hear representatives from Calgary and Winnipeg. The need for the Dominion and for other transportation services is not as great in those centres. Therefore, when they appear before you they are not going to be as strong. I agree that Calgary and Winnipeg are large transportation centres. I will tell you, from personal knowledge, that one of the biggest problems we face in Manitoba in development is the fact that Winnipeg is such a large rail centre. You have some of these problems of transportation in the Maritimes that we recognize, and are sympathetic with, but I do not want to leave that impression with any member of the committee, Mr. Bell.

Mr. BELL (*Saint John-Albert*): Well, then, from the provincial briefs of Manitoba and Alberta, we should perhaps get a more provincial and a wider scope to this than from the other ones. I am also wondering if some of your criticisms, and I must say that I agree with many of them, would not be satisfied by the recommendations that British Columbia put forward under Mr. Brazier, which I have here and I will just sum them up. I think they were very, very good. He just gave those to us this last time coming through, but he suggested that there be a study made of the responsibilities under the 1880 Act, and also that the services now in existence, passenger-wise, be frozen, that there be no further discontinuances without a reference by the CPR to Parliament and resulting changes in the act. This would, at least, satisfy two of the major criticisms you have made. Am I correct, sir?

Mr. BERGMAN: Well—

Mr. BELL (*Saint John-Albert*): In other words, you criticize the Canadian and the possibility that they are making plans to discontinue in view of

statements made by the President a few years ago. Then you also made reference to the responsibilities that still exist to the railway. Now, if we combine these two and the recommendation we might make along the lines of Mr. Brazier's thoughts, would this help to satisfy you?

Mr. BERGMAN: This would be of assistance. I think the big thing that is of concern to the people in the west is that not only have we lost something, but we appear to be in the process of losing more, that something is going to disappear. A concentrated effort to discourage passenger traffic on the Canadian is certainly going to allow the CPR to say to you one, two or three years from now, "Look at how much money we are losing." And we would think that any freezing order would be to study the standards that existed, and that they must be maintained because the fact that they are going to run 14 passenger cars per day is not the complete answer; they have to maintain all standards as well.

Mr. BYRNE: Mr. Bergman, we heard evidence today from the Mayor of Portage la Prairie, I believe it was, that the bus company deliberately set a schedule to coincide with the Dominion out of his city, and that immediately upon the elimination of the Dominion, that they too dropped their schedule, they eliminated their bus service. Now, do you think this has happened to Brandon as well?

Mr. BERGMAN: Because I am living in Brandon I know that these things are taking place, but there is an argument that should be considered before there is any particular condemnation. In many cases the buses were feeding passengers to and from train arrivals.

Mr. BYRNE: The Dominion?

Mr. BERGMAN: Oh, yes. Those would be schedules. I am going back sometime.

Mr. BYRNE: You are paralleling now?

Mr. BERGMAN: Oh, I see, paralleling? No. He would know, sir.

Mr. BYRNE: In the event that this transportation board is set up, that has been suggested, right across the country, I presume that this board would have to have the powers, as was suggested here by one of the previous witnesses, to say, "You must have a bus service; you must have a train service". Now, do you believe that the public across the prairie region would accept, in the event that it was ordered by the board, that the Dominion was to go back on, or an alternative rapid transit service, that a franchise protecting this service would be acceptable?

● (3.20 p.m.)

Mr. BERGMAN: Anybody granting a franchise or having the right to grant a franchise, I presume, is going to have the authority to set the rates too to make sure that they are (a) reasonable and (b) compensatory. We have that situation with respect to truck service in the Province of Manitoba and we have it in all the provinces where franchises are set for a particular type of service.

Mr. DEACHMAN: This would be crossing the provincial boundaries?

Mr. BERGMAN: They work on the basis that you can cross our particular province once you get permission from your own province. This is Manitoba's case.

Mr. BYRNE: I mean this would be accepted?

Mr. BERGMAN: It is quite possible it would be accepted.

The VICE-CHAIRMAN: Thank you very much, Mr. Bergman. We want to thank you for your magnificent exposé and I am very, very sorry that I had to shorten the question period.

Mr. CARON: You have claimed that you want the services of the government to be placed back on service. Do you believe that instead of having one express train such as the Canadian, which takes a short time to come from the east to the west, and one local, such as the Dominion which takes a lot more time, that the two should be exactly the same whose times of departure from Montreal and Vancouver would be 12 hours apart? The two trains would stop only during the daytime from 7 in the morning to 7 at night. Do you think that this would change the situation at all?

Mr. BERGMAN: You really have two questions there. While the two services are there, I think one should be a daytime service and the other a night time service. By the way, one of the deficiencies now is that certain express service is gone which was available on passenger services. I do not think it is important, for the dropping of freight, whether it is daylight or dark, as long as there are facilities to receive it. People will get on a train at night if they have to, but it is discouraging for them to get up in the middle of the night to catch a train if they can have an alternate one in the daytime. Does that help you at all?

The VICE-CHAIRMAN: Thank you very much, Mr. Bergman.

The fifth and the last brief is from the Brotherhood of Railway Trainmen and I will call upon Mr. Bert Lane, a retired passenger conductor, to present the brief.

Mr. BERT LANE: Mr. Chairman and Members of the Standing Committee on Transport and Communications, gentlemen, before I start in to deliver this brief I would like an opportunity to give a short explanation. You will notice during the delivery of this brief that we have purposely avoided the economics of this transportation argument. We are the men who work the trains. We simply feel that our knowledge of the mechanics of the operation are better understood by us than a lot of others where conversely, the economics can be better argued before this committee by the experts who are making studies of these things every day. I just wanted to make that explanation so that you would understand that what we have quoted in our brief deals mostly with the fact that we are convinced that the abandonment of rail service is being justified by the downgrading of the service first, in order to better patronage, and from then on it is a matter of pulling off trains.

We deeply appreciate and welcome this opportunity to make representations before your Committee in the interests of retaining and improving passenger train facilities on Canadian Pacific Railway. We readily admit that in presenting this brief, our interests are two-fold. First, as Canadian citizens, we want to ensure that efficient and adequate transportation is and will be available always, to all who wish to travel in any direction in this country and of course, as a labour organization representing the men who actually man and operate the trains, we are also vitally concerned in retaining and even enhancing job prospects for our men.

We do not and cannot agree that rail passenger travel is now outmoded. It may be true that the privately owned automobile, the modern bus and the rapid development of air travel, all present increased competition to our passenger trains. The monopoly on passenger business, long held by the railroads may be ended, but it is our considered opinion that due to the greatly expanded demand for travel accommodations that is manifest today, the facilities offered by all three alternatives will be taxed to the limit in trying to fulfil that demand. The fact that most workers in Canada and United States now enjoy paid annual vacations, opens up a new and vast potential to be exploited for holiday travel. When one considers that of all this vast potential, only a very small percentage have ever experienced the luxury and delights of a rail trip across this country and through our magnificent mountain ranges, scenery which has few parallels any place in the world, one cannot help wondering why we are not out selling what we have to offer instead of throwing up our hands in surrender at the first show of competition.

Several years have gone by since management of CPR intimated that in their opinion rail travel had outlived its place in the transportation field, and that it was their intention to withdraw from this service as rapidly as conditions warranted, and we contend that from that time right up to the present, they have used every opportunity to down-grade passenger train facilities and by so doing, hasten the day when they could prove that the service was no longer economically operational and therefore should be withdrawn.

Management of CPR have repeatedly stated that being in the railroad business, their principal commodity was transportation, both passengers and merchandise. Now to sell this commodity to the public—the customer—it would be necessary, in face of stiff competition, to guarantee the most expedient service possible, and it must be admitted that in freight service, accomplishments have far exceeded the most optimistic anticipations resulting in faster, heavier freight trains, maintaining fast running schedules through the use of multiple diesel units in order to ensure on-time delivery. Much credit is due in this quarter.

But what of the other quarter—passenger service? Here the picture is entirely different and in order to properly evaluate present conditions, let us go back a few years and take a look at what existed before the down-grading was started.

Passenger train service on Canadian railroads was always regarded as the senior service: passenger trains had preference over all other trains as they moved across the country and every effort was made to maintain schedules to the point that it was often said that the Canadian farmer could set his watch by the arrival or departure of CPR passenger trains. It was also the ultimate promotion of our men in train service and proud indeed was the man who finally, after long years of service, found himself in charge of one of these trains. Every effort was made by both management and the men, to ensure that CPR passenger travel was the ultimate. Equipment was kept in good repair, clean, well ventilated, warm in winter and cool and pleasant in summer. Extra power was added, when found necessary, in order to maintain schedules and a meal in a CPR dining car was an important and memorable event in most persons' lives.

But all this ended several years ago, and today the picture is entirely different. Just a little over a year ago an announcement was made of the cancellation of the mail contracts on CPR passenger train, "The Dominion". This caused considerable apprehension on the part of our men, as it was generally believed that the elimination of the mail on these trains was a forerunner of the eventual elimination of the train itself. But our fears were short-lived when an immediate assurance was given through a public announcement from the President of CPR "that he knew of no immediate plan to withdraw the Dominion from service and that the cancelling of the mail contract was a step towards improving the service as it would eliminate a great many stops, and thus speed up the service to the travelling public." It is true that the train was operated through the ensuing months as a conventional passenger train with dining and sleeping car facilities, including "Dome" cars, but it is also true that the service was far from attaining the usual CPR standards. Day coaches were generally overcrowded with little or no attempt to keep them clean and tidy, dining facilities were over-taxed and, but for almost super-human efforts on the part of the harrassed dining car employees, would have, at times, collapsed completely.

Little or no effort was made to maintain schedules resulting in frequent delays in side tracks waiting for freight trains that were regarded as being more important than passenger trains and it is an established fact that nothing is more irritating to the traveller than having his train hours late for no real reason. All in all, it certainly was not a service that would recommend itself to the traveller and was undoubtedly developed that way for no other reason than to discourage patronage. Finally, at the close of the tourist season, which is about the time schools and colleges re-open for the new fall term, CPR management announced the complete withdrawal of the Dominion, in spite of the fact that just a few months earlier, the Company President had given his solemn assurance that no such action was contemplated.

However, the announcement of the termination of the service was followed by violent protests from cities, towns and villages across the country, resulting in an order from the Board of Transport Commissioners instructing the Company to "retain the present Dominion service until an investigation could determine whether or not the withdrawal was justified." Please note that we have underlined "present Dominion service" because on the date this order was issued, the train was still operating as a conventional main line passenger train, sleeping cars, dining cars, Dome cars, news agent services.

But the train that operated as the Dominion after the Board of Transport Commissioners forced the Company's hand, was an entirely different matter. It consisted of two day coaches and one baggage car. Gone were the sleeping and dining facilities as also was, for the most part, the train news agent with his stock of confections and sandwiches and coffee. The result? Let us draw you a word picture of the conditions facing the traveller who ventured to utilize the "Dominion" from Winnipeg, west. He boarded the train in or around 10:00 a.m. in Winnipeg, and had no opportunity to obtain even a cup of coffee until arrival at Brandon, about 1:00 p.m. Here the station restaurant was still in operation, so the first few customers were able to procure one of the famous CPR sandwiches and coffee, if desired. But the service offered was very limited and usually only the first few arrivals were served, owing to the very limited

stop-over time allowed. It is significant that, while this schedule stop was only 15 minutes, which made it impossible for the majority of passengers to obtain service, it was not unusual for this train to put into a side track a few minutes after departure from Brandon and wait anywhere from 10 to 30 or 40 minutes for some important East-bound freight train.

Proceeding west from Brandon, the next scheduled 10 minute stop was Broadview, Saskatchewan, about 4:00 p.m. But here the Company had closed down the station restaurant, so once again, no chance for the passengers to obtain anything to eat, and six hours have elapsed since leaving Winnipeg. Next stop, Regina. A 30 minute stop, but here the CPR restaurant closed at 7:00 p.m. which was also the exact time of arrival of the train, so once again the passengers get nothing to eat. Moose Jaw is next, but here the Company found it absolutely necessary to pull the train several hundred yards west of the station for servicing, and as the restaurant here is in the station, once again it was impossible to get anything to eat and it is now over 10 hours since departure from Winnipeg. The same condition pertained on west from Moose Jaw, with the end result that passengers riding this train west from Winnipeg had no access to food until arrival at Calgary, some 20 hours later and it must be remembered that, included among these passengers were small children and aged adults. Yet the Company's excuse for discontinuing the service was "lack of patronage". You, gentlemen, can draw your own conclusions. We would like to add, at this point, however, that it was during this period of depressed and down-graded operation that the Company compiled the figures showing the number of passengers carried on this train, figures which undoubtedly influenced the decision of the Board of Transport Commissioners to sanction the eventual withdrawal of the "Dominion".

At this time we would like to draw your attention to the present day operation of the "Canadian", CPR's last remaining transcontinental passenger train. A few months ago, one of the highest ranking officers of the Company, when asked about the eventual withdrawal of this train, stated almost word for word, that which was given out by the Company President a few years ago, concerning the elimination of the Dominion, "we knew of no immediate plan to pull off the Canadian and that as long as the Company remained in the passenger business, the usual high standard of service would be maintained." These high sounding words are just as reassuring now as they were one year ago, and are undoubtedly intended for exactly the same purpose—to allay any and all fears concerning the withdrawal of the Canadian, while the down-grading of the service slowly continues in an attempt to discourage patronage and thus make this withdrawal inevitable. Let us look at the facts. When this equipment was first put into service, it was considered to be the most modern and beautiful on the North American continent. But during the last 2 or 3 years, maintenance and upkeep have been dropped to a minimum, resulting in noisy clattering coaches and sleepers, frequent failure of heating and cooling equipment, resulting in great inconvenience to the traveller and at times, even to hardship and suffering. We know you gentlemen can appreciate, if you haven't already experienced, just what the end result would be when heating fails during our severe winter weather or air conditioning fails during our hot summer weather and all because of failure on the part of the Company to provide proper inspection and maintenance and to have competent and experienced

mechanical personnel at other than just a few of the main terminals. Certainly it detracts considerably from the promise to maintain the usual high standards, made such a short time ago.

But probably the greatest deterrent to efficient handling of rail travel lies in the ticket and reservation department. It must be remembered that when this Canadian was first put into operation, all accommodations, day coach and sleeping cars had to be reserved before the passenger was allowed to entrain. These regulations were later liberalized to the point that if a prospective passenger had failed to procure reservations or tickets, he could entrain and purchase his train ticket from the Conductor. This practice only added to the existing confusion. Seats were being reserved through some ticket offices, while at the same time the train conductor, without knowing which seats were reserved at stations further along the line, was allowing his intermediate passengers to occupy seats which in a great many instances were already allotted to someone else. Duplicating of seats became a daily occurrence and it was not unusual to find 3 or 4 passengers holding reservation slips for the same seat and each one insisting that he and he alone should be allowed to occupy it.

Sleeping car services were in an even more chaotic jumble, due, primarily, to duplicate sales, failure to provide accommodation even when it was readily available. Refusal to accommodate prospective passengers from the smaller urban centres and long delays in confirming requested accommodations. The number of instances where these failures have occurred during the past several years is almost endless and would be almost impossible to record, but for the sake of providing your Board with some examples, we ask your indulgence while we cite a few of the cases of which we have irrefutable knowledge.

1. Some time ago one of our local citizens planned a trip to Miami, Florida, for his invalid wife and himself. They planned on flying south from Toronto and applied for a compartment from here to Toronto on the CPR Canadian. This application was made 5 or 6 weeks in advance of their departure date and after several days' delay, their reservation was confirmed. He went to the CPR ticket office and paid for the rail and sleeper tickets and during the following several weeks, made intermittent enquiries from the ticket office to insure that no slip-up could occur that would displace him. On each enquiry—the last one just 3 days before departure—he was reassured that all was well, and yet the morning he went down to start the trip, he was informed that a duplicate sale had given possession of his compartment to a couple travelling from Vancouver to Toronto, and that no other "room space" was available. Because he had already set up his itinerary out of Toronto, the trip to that point was made on the Canadian with his invalid wife occupying a lower berth from which she had to be carried to and from the toilet facilities which in turn, necessitated his sitting up through the night in order to look after her. Is it not significant that this kind of treatment is handed out to the travelling public by a Company that boasts of the fact that they are able to spot and report the exact location of any load of freight, while it moves across the country to its destination?

2. An elderly couple residing at or near Estevan, Saskatchewan, planned on spending Christmas with their son in Windsor, Ontario. There is, of course, no passenger train service out of Estevan, necessitating a trip by car or bus from Estevan to Regina in order to catch the Canadian. After departure from

Regina, the train conductor learned that, in spite of the fact that their destination was Windsor, the agent at Estevan, from whom their tickets were purchased, had only been able to sell them tickets from Regina to Sudbury and that they would be required to make their own further arrangements covering the balance of the trip from Sudbury to Toronto, to Windsor. It was quite apparent that this couple were totally unaccustomed to travelling and their anxiety over what action they would have to take at Sudbury, was plainly spoiling the entire trip for them. Is this an example of our "usual high standard of service"?

3. Just previous to last Christmas, a Winnipeg resident decided to take a trip to Edmonton to visit his aged parents. Upon calling CPR depot, he was given a phone number for reservations but upon dialing this number, a recorded voice informed him that the "Reservations" number had been changed and that he must now call number so and so. You can imagine his surprise and bewilderment, when upon dialing this last number he discovered that he was then connected up with the CNR ticket office. Is it any wonder that our trains are running half empty?

4. One more case of gross inefficiency concerns a lady residing in Whitewood, Saskatchewan, who wished to take a trip to Vancouver and return, but when she went to CPR depot to purchase her ticket, she was informed that the Canadian could not stop at Whitewood and she was sold a ticket Regina to Vancouver and return to Regina, and had to take a bus from Whitewood in order to board the Canadian at Regina. We might add that under the then existing Company passenger tariffs, a ticket Whitewood to Vancouver and return cost exactly the same as one from Regina to Vancouver and return.

We could go on and on citing cases of similar inefficiency and neglect in the handling of this traffic on CPR, but this would merely constitute a repetition which would certainly prove to be undesirable. We have reviewed the foregoing merely to point out that down-grading of passenger service on CPR is an undisputable fact and we know that other presentations made here today will add to and enhance the assertions we have made herein.

In closing, let us thank you for this opportunity to present our views and to again remind you that we are railway men, proud of our vocation and proud of our company. We firmly believe that rail travel can still maintain its rightful place in the field of transportation if given a decent chance and we fervently hope that your Committee can find the means and determine a future course that will justify our faith in this service.

The CHAIRMAN: Thank you very much, Mr. Lane.

Mr. FAWCETT: Mr. Lane, my questions are very brief, Mr. Chairman but first I would like to say to the Committee that I have had the pleasure of meeting Mr. Lane a good number of years ago and I was very happy to renew the acquaintance today. Now, I would like to ask Mr. Lane in what capacity he worked on the Canadian National Railways; what was his employment.

Mr. LANE: I was a conductor.

Mr. FAWCETT: You have worked both the "Dominion" and the "Canadian" as a train conductor.

Mr. LANE: For many years, yes.

Mr. FAWCETT: Well, this is one point I want to get across; these are my questions.

Mr. O'KEEFE: On page 4, paragraph 2 of your brief, you say: But probably the greatest deterrent to efficient handling of rail travel lies in the ticket and reservation department. In your experience can you suggest some significant improvements in this area?

Mr. LANE: In this area? Why not in the operations. We find out today that the "Canadian"—

Mr. O'KEEFE: That you suggest could be made.

Mr. LANE: Well, let me suggest this, this is a modern age, this is 1966; we find out that air companies have these electronic devices to look after reservations. I believe the Canadian National have instituted that thing and here we are operating under a scheme that existed nearly fifty years ago.

Mr. O'KEEFE: Would you advocate then the nationalization of the CPR; would you advocate nationalization of the Canadian Pacific Railways, the whole railway?

Mr. LANE: I still would be personally in favour of private enterprise, but I do not think that private enterprise, whoever they are, should be big enough to dictate what the people in this country, particularly in the western part of this country, have to put up with in the way of transportation.

Mr. O'KEEFE: When you use the word "transcontinental", what do you envisage, from British Columbia to where?

Mr. LANE: We use there the words "transcontinental train" to differentiate from what we used to know as the local trains. We had many of them here at one time. The transcontinental trains on both lines were transcontinental from Montreal to Vancouver.

Mr. CARTER: I would like to ask the witness about the downgrading referred to in the last paragraph on page 3. We have had many references to downgrading of the "Dominion", but this is the first one I have seen that refers to the downgrading of the "Canadian". Has that process been going on for any length of time?

Mr. LANE: Yes, sir.

Mr. CARTER: Was it going on before the "Dominion" was taken off?

Mr. LANE: It had started to a degree, but a lesser degree than exists today.

Mr. CARTER: And is it increasing; is it getting worse?

Mr. LANE: I would think in my mind that it was progressive, that little by little these things are being downgraded to the point where—as I say we are the men who face the public, who deal with the public. We know the complaints, and we know that when a person gets on and finds out the seat that he reserved two weeks ago is gone, and he now has to sit in a seat out of which he may be bumped in another station or two, and when he goes into the diner today, where once it was an event in a person's life, he is faced with the

proposition of such downgrading as canned soup and instant potatoes and things like this, where a meal on a diner fifteen years ago was really something, we know these things are part of the downgrading program.

Mr. CARTER: One more question. Many witnesses here today and at all hearings we have had, have referred to difficulties with reservations and many witnesses today have told us that if they try to make reservations through the Brandon office they have to wait two or three months. But if they have somebody in Winnipeg they can phone and get reservations almost immediately. Is the reservation that we get at Winnipeg a reservation from Winnipeg to the destination or from Brandon to the destination?

Mr. LANE: It would vary; sometimes they would be lucky enough to have Winnipeg allocate them a reservation right out of Brandon but other times they would sit in a day coach and go to Winnipeg and pick up the reservation there.

Mr. CARTER: In other words, the agent at Winnipeg could give him a reservation from Brandon; whereas the agent at Brandon could not do that.

Mr. LANE: I believe, in the scheme under which they operate these reservations now are pooled at the main centres: When you apply, and if you want to go to the phone right now and ask them for reservations in the morning on number one, it is an even bet that they will stall you off for a good many days before they provide that; they will not give you an immediate answer. However, the way it works is that a pool of available space is kept at places like Calgary and sometimes to a degree Regina and Winnipeg. Now, when you apply for a reservation here on the sleeper to go to Montreal, the man in the ticket office will tell you, all right, we will call you back; let us have your phone number". He immediately gets on the wire to Winnipeg. Well, business is pretty good in Winnipeg they did not want to give that space away, so it will be a day or two or three or a week and finally when they see that there is going to be enough to handle their own needs, they will release it here to Brandon. That is the principle under which they operate.

Mr. CARTER: Why would they not advise the agent here in Brandon? If somebody phoned directly to the agent they would give it to him. That is what I cannot understand.

Mr. LANE: Well, the thing is this, they know this agent will keep in touch with whoever the prospective customer is. There is no particular rush; he is not going to go for a week and they will hold him waiting; whereas the man who phones has to have an immediate answer or he will phone the Canadian National or the buses or somebody else.

Mr. HYMMEN: My point which is to be asked is supplementary on this downgrading. I do not have a copy of the brief and I am not sure exactly what the witness has said; but with respect to downgrading of the "Dominion", are you aware that the CPR in their brief made a great deal of the fact that they operated the "Dominion" fully, with new cars and the like, through the 1950's, and they did not downgrade it to the coach type of affair that we now have until there was a drastic falloff in passenger patronage.

Mr. LANE: The drastic falloff in passenger patronage may be to a great extent just a figment of their imagination. However, we do know that a

periods of travel across this country the number of people patronizing those trains made them so crowded that it was impossible to give them decent accommodations. We have seen these trains move across our territory with as many as 500 people on them. Just imagine what dining car crews are faced with in serving whatever percentage of people patronize dining cars, when you have trains like that. Do not forget, sir, that previously to the advent of the diesel locomotive the average passenger train could not consist of more than maybe 15 or 16 cars but today, with dieselization, when all they have to do is add another unit, no extra men connected with it, they can handle up to 26 and 30 of them; that is the answer to it.

Mr. BELL (*Saint John-Albert*): Well one other point on this same matter with respect to reservations. I travel between Ottawa and Saint John a lot CPR and in Saint John I can get instant reservation service because the train is made up there, but in Ottawa, a much larger city with a larger CP staff and the like, it is difficult to get results, because they have to go through Montreal where the train is made up. Now, you are suggesting that there should be a better contact between Ottawa and Montreal?

Mr. LANE: I like this new device that the National have now adopted and I believe the air lines have had them for several years, wherein when you apply here he presses a button and right immediately you have reservation and nobody else will get it. That is modern operation; that is not like what we are going under.

Mr. HYMMEN: I wish to congratulate you on your brief, I can detect a practical knowledge of railroading and also some pride in the Canadian Pacific Railway, let us say, as she used to be. I just have one question, and I am quite sure that many members of this Committee are very seriously concerned about some of the suggestions of the downgrading of the "Canadian". You made a reference to curtailment and reduction of maintenance and I presume that you could supply further information in this connection, if desired?

Mr. LANE: Well, a few years ago, under the existing operational methods, when you had equipment that failed or partially failed, you could have them pretty well adjusted or repaired at places like Brandon and Broadview, and Regina. There were carmen crews maintained there and they were experts. What do we find today? Next July this "Canadian" will come in here with a car in which the air conditioning has failed. Do you know what it is like to ride in a coach where the air conditioning has failed? So, you say to them, "no air conditioning". "There is nothing we can do here there are no experts here, just go on". So you get to Broadview; nobody knows. You get to Regina no; you had better go to Moose Jaw because you are going to be there thirty minutes, anyway, and that is the result; you go across several hundred miles with people sitting in coaches in which air conditioning or heating facilities have failed, and you can just imagine the end result. One time they did have experts at these intermediate terminals, and they could fix most of their troubles, but not today.

Mr. ANDRAS: There is one particular statement you make on page 2, sir, which is quite important, I think. You refer to a statement by the president of the Canadian Pacific Railway. Is this a direct quotation; could you give us any indication of the source of this information?

Mr. LANE: This is not a quotation. The meat of his announcement is in here, but I have not got it word for word. But then it was even published in the newspapers.

Mr. ANRDAS: A newspaper report was it. Mr. Emerson? About when?

Mr. LANE: It was just a year ago early this spring, when the announcement came, and it came indirectly through the mail department, that they were cancelling out the mail contracts. It caused, as I said here, great apprehension amongst our men because we were fearful that that would lead eventually to withdrawal, and we started the ball rolling with protests, and one thing and another, and also with the aid of the mailmen, and out of those protests came an announcement from Mr. Emerson. "What was all the fire about?" He knew of no immediate plans to withdraw the "Dominion". What they were doing as a matter of fact was enhancing the service; they were going to withdraw the mail, and eliminate these delays, and make a great service parallel with the "Canadian" for people to travel across this country. And that is exactly what the excuse was, and yet it was only a few short months after that that they announced the withdrawal.

Mr. OLSON: Mr. Lane, I want to join with the other members of the Committee who have commended you on your brief, because we have been hearing, at most of the hearings, from various people in Ottawa and all across Western Canada that there has been a downgrading of the service and of the attractiveness of this service. I think you have given us one of the best examples of quoting chapter and verse of instances of this downgrading, and I sincerely appreciate that.

Now, I want to ask you, firstly, about this matter of maintenance. You say on page four, I believe, it is because of the failure on the part of the company to provide adequate inspection and maintenance and so on, that has caused this. In addition to these immediate repair jobs that may be needed on heating or air conditioning or something else, has there been a deterioration in the periodic maintenance, that is major maintenance, that is required.

Mr. LANE: That is a question that I would not be an authority on any more than on this. Go and take a look at our equipment today. Did you ever see CPR equipment in as dirty a condition as it is today? I never have.

Mr. OLSON: A word now respecting locomotives, that there was an unusually large number of locomotives that had road failure during the fall, for example, and this is one of the reasons why they wanted to take the passenger train off, so they could get their hands on these locomotives. We have heard some people say that there was an unusually large number of other locomotives that had experienced road failure because of lack of maintenance. Do you think this is true for the passenger locomotives as well?

Mr. LANE: The passenger and the freight locomotives are practically all in one category; they use the same in both services, and it would apply equally well to passenger as it would to freight. There is no question that many of the units that are running up and down today are running on their last legs just through failure to properly maintain them.

Mr. OLSON: I just want to ask you this question, I have asked it at every hearing before. Has there been a serious deterioration in the morale of the employees because of the attitude towards passenger service?

Mr. LANE: In answer to that question, Mr. Olson let me quote an incident that happened to me not too many months ago. My phone at home rang and one of the most prominent legal men in this town asked me if I had time to drop into his office he wanted to speak to me. When I went down, he explained that he and his wife had just completed their third trip from here to the Pacific coast and back, and they had deliberately alternated the method of travel between the National and the CPR and he said to me, "Bert, I want to tell you something. I feel sorry for the men working on the CPR trains". I was astounded to hear it from a man of his status here and I said: "what do you mean." He said: "you can see from the look of them that they are browbeaten and downcast and they do not seem to have one thing ahead of them." That is exactly what he said to me and I asked him at the time: "Would you be willing to make that statement before these investigations," and he said: "anytime I would be called, I would be glad to."

Mr. OLSON: Thank you very much, just one other point here. I was very interested in your example of this lack of co-ordination where you have the same numbered seats sold to more than one person, and so on. Is this partially because they have closed many stations along the way. That is part of it but one other point. Have they restricted the communications even between the main reservation stations?

Mr. LANE: I do not think they have had to restrict it. The example I tried to give you was this. In the original operation of the "Canadian", you could not get on the "Canadian" unless you had reservations, either for day coach seat or for sleeping accommodation. Due to the extensive closing up of agencies and the curtailment of services in the bigger centres it has now become necessary to liberalize that restriction with the result that train conductors were advised when the people came to the vestibule, when they were stopped and they did not have a reservation, if you have room take them on. Now the result is this, Mr. Olson: A man gets on here at Moose Jaw—and this was my territory and I speak with authority on this. The "Canadian" leaves Moose Jaw eastbound around 1.00 or 2.00 o'clock in the morning, 3.00 o'clock. So he said, "I have not got a ticket, conductor, may I get on?" "Sure, get on, we have lots of room." So I give him a seat, envelope him. We have to make an envelope out for them. We get to Regina. This man is sound asleep and Mr. Olson gets on at Regina and he has that seat reserved through the ticket office. What do I do now? I go and wake that man up, or do I give you another seat? And if I give you another one, when we get to Brandon somebody was yours that you are occupying, and so on and so on; it just grows like a snowball.

The CHAIRMAN: I will let you have a couple of more questions, sir.

Mr. OLSON: To your knowledge, has there been any withdrawal of availability of the telephones and the wire between these stations respecting reservations?

Mr. LANE: On the part of the ticket agent, do you mean?

Mr. OLSON: Yes. I am not talking about simply Winnipeg and Calgary; I am talking about the other points along the way.

Mr. LANE: I would say so. I do know this; if you went right now to the CPR ticket office and asked for a reservation, he could call Winnipeg immediately on a direct line. I do not think there has been any curtailment that way.

Mr. OLSON: Mr. Chairman, I have one other question to ask but I yield for a supplementary to Mr. Bell who has his hand up. Mr. Lane, I want to ask you about the pensioners on the long-service passes and I have done this at most of the hearings, too. We are fully aware of how much of this has been withdrawn and the value of these passes, but I want to ask you if it was implied and understood by these men while they were putting in their service that this was part and parcel of their wages and that it was not a gift from the railway; it was in fact part of the conditions of their labour?

Mr. LANE: Mr. Olson, the issuing of passes, both trip passes and annual passes, was never a negotiated agreement; it was simply something that came into being primarily because railroad men had to move from one place to the other and they would not buy their own tickets.

However, let me assure you that in many of the negotiations over wage and contractual matters in Montreal it was often mentioned, or often recalled. "Don't forget, sir, that these men also enjoy passes on the railroad." I carry a pass in my pocket which tells me it is good for a trip between stations on Canadian Pacific system. There is not one train I get a ride on it, though.

Mr. OLSON: You mean, there is no train you can ride on.

Mr. LANE: No, there is no train I can ride on my pass.

Mr. OLSON: I give up—

Mr. LANE: It is still good for passage between all stations on the CPR system. Passage on what? I can not ride freight trains on it.

Mr. OLSON: Are you retired, Mr. Lane?

Mr. LANE: I am sir. It would not matter if I was retired, Mr. Olson. A man active in service can not ride any train today on the CPR on a pass.

Mr. OLSON: It was completely understood, as far as you were concerned, that this was going to be a privilege that was extended to you in your retirement along with your pension and a more or less pre-paid passenger run?

Mr. LANE: Certainly, it was part and parcel of our working conditions.

Mr. OLSON: Mr. Chairman, I could go on with this witness for a long while but I will pass now.

Mr. MACEWAN: It has been suggested by at least one other witness here today that, the facts being what they are, the real fight at the present time is to retain the "Canadian" as the transcontinental train; in other words, the battle lines are drawn and it is, as some people say a 'dog-eat-dog' fight to retain the "Canadian". Would you agree with that?

Mr. LANE: Not entirely, no. I do say that if this passenger traffic was properly promoted, if it was promoted anywhere near the efficiency that the sales of powdered soap and gasoline and oil are promoted at, I do not think both

the "Canadian" and the "Dominion" could ever handle the traffic that would be available. I say that because of this fact. Twenty-five years ago fundamentally the only people who patronized rails, railroading, or any travel, were people who were in the upper brackets in their prime. The working man could not go any place; he worked seven days a week or six days a week; he did not have any money. But what have you got today? You have almost every worker in this country and across the line with a paid annual vacation; most of them up to about a month. Now, you have a potential field here. Many of these people have never seen large parts of Canada, as I said in my brief. Just imagine the potential you could work on if you used anything near the modern methods that other sales promotions use.

Mr. MACEWAN: But is not the retention of the "Canadian" the first step in the immediate fight and then, as has been suggested, if it is done, a national transportation policy can be brought forward which may make it possible to improve the services?

Mr. LANE: Well, speaking my own mind, that any suggestion that the service of this "Canadian" be pulled off and the CPR left with nothing, is preposterous. I do not think it could ever occur.

The CHAIRMAN: I want to thank you for your very kind and very helpful presentation.

Gentlemen, before we leave I want on behalf of the Committee to thank the Mayor and City Council of the City of Brandon for their very kind reception here today, and all those who have presented briefs. They have been most helpful to the Committee and very informative. We want to extend to the Mayor our sincere thanks for the reception tendered to us and also for the making the Chairman, on behalf of the Committee, an honorary deputy mayor of this city, which was very much appreciated.

The bus now should be downstairs: it was called for four o'clock. We will proceed from here to Winnipeg directly to the station. Dinner will be ready on the train; then we will take your luggage into the hotel next door, the Royal Alex, for this evening and tomorrow.

I will take a motion to adjourn.

Mr. LESSARD: I so move.

Mr. ROCK: I second the motion.

Motion agreed to.

APPENDIX W

THE BRANDON SUN

THE DOMINION

Brandon, Man., Wednesday, May 11, 1966.

Brandon welcomes the members of the House of Commons committee on transportation and communications, who meet here tomorrow in a public hearing to consider the CPR's discontinuance of the transcontinental train, the Dominion. The gentlemen of the committee have held other hearings in Western cities and will not, therefore, be surprised to learn that Brandon opposes the discontinuance of the Dominion and wants the train back.

The essential question, however, is not the Dominion. The problem is greater than one train, and merely having the Dominion back will not solve it. (In fact the train had come to resemble something out of Petticoat Junction in the months prior to its abandonment.)

What is important is that Parliament reach a decision on the role of government and the role of the CPR in meeting the transportation needs of the nation. A national transportation policy is long overdue. For at the moment, the CPR has one idea about its responsibilities and the people of Western Canada have another.

The CPR feels, as most other private companies have a right to feel, that its primary responsibility is to its stockholders. This responsibility obviously makes it necessary for the CPR to maximize profits by eliminating unprofitable services. One such service is the Dominion, and the elimination of all passenger service will likely follow in time.

Those who dispute the CPR's position—and this includes most of the people of Western Canada—feel that the CPR has a responsibility to the people of Canada, by virtue of the tax and land concessions that were given to the railroad in 1880: \$25,000,000 in cash and 25,000,000 acres of land. These grants, it is contended, have given the CPR an obligation to provide necessary services, even where such services are less than profitable.

The CPR has countered this argument with one of its own: land could be had almost for the asking in those days, Mr. Crump has stated; it was virtually limitless and of little value at the time of the grant. Furthermore, the amount of money spent by the CPR in building its transcontinental line was far in excess of the \$25,000,000 received from the government. Finally, it was to the government's advantage at that time to provide the land and money to the CPR. In no other way could the railway have been built.

No one will dispute this. Mr. Crump, in a recent speech, goes on at some length about the CPR's contribution to the building of the Canadian nation. He need not have bothered. Everyone is quite familiar with the crucial role the CPR has played in the development and settlement of this country. Some people now speak of punishing the CPR, but they are misguided. Our aim should be not revenge but the reinstatement of vital services. We should rather have trains than our pound of flesh.

What Mr. Crump has missed in his speech is this: while the CPR was in many ways doing the government of the day a favor by taking land and money in payment for the construction of a transcontinental railroad, the railroad has benefitted greatly from the land it was given. It is worth a great deal today, even if it was valueless in 1880.

Whether or not this means that the CPR has an obligation to provide unprofitable services is for the government to decide. Suffice it to say that the CPR has not done badly in the bargain.

What we really need to know is whether the CPR can act as a private company like other private companies. In the absence of governmental direction, the CPR has chosen to presume it can. In the absence of a national transportation policy, it has fallen to the people to protest the railroad's attitude. As a community which desperately needs increased transportation facilities as a component of industrial growth, Brandon needs the Dominion. But beyond that, Brandon, as part of Western Canada, needs a clear legislative definition of the responsibilities of the nation's railways. Without such a definition, we face the withering away of vital services, and with it the postponement of a city's future.

HOUSE OF COMMONS

First Session—Twenty-seventh Parliament

1966

STANDING COMMITTEE

ON

TRANSPORT AND COMMUNICATIONS

Chairman: Mr. JOSEPH MACALUSO

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 14

FRIDAY, MAY 13, 1966

Winnipeg, Manitoba

Respecting

The subject-matter of the adequacy of the present program and future plans for passenger service on the lines of the Canadian Pacific Railway.

WITNESSES:

Messrs. Arthur V. Mauro, Q.C., Counsel for the Government of Manitoba; R. B. Copeland, System General Chairman of Transportation Communication Employees' Union. *From the City of Winnipeg, Manitoba:* Messrs. Mark Danzker, Alderman; and W. Fraser, Q.C., solicitor. *From the town of Kenora, Ont.:* Messrs. J. A. Sherrett, Industrial Commissioner; A. S. Fleming, for Brotherhood Railroad Trainmen; Brotherhood of Locomotive Firemen and Enginemen and Brotherhood of Locomotive Engineers; and E. McCormick, Executive Director of the Winnipeg Chamber of Commerce.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1966

STANDING COMMITTEE
ON
TRANSPORT AND COMMUNICATIONS

Chairman: Mr. Joseph Macaluso

Vice-Chairman: Mr. H. Pit Lessard

and Messrs.

Andras,	Horner (<i>Acadia</i>),	Pascoe,
Ballard,	Howe (<i>Wellington-</i>	Reid,
Bell (<i>Saint John-Albert</i>),	<i>Huron</i>),	Rock,
Boulanger,	Hymmen,	Saltsman,
Byrne,	MacEwan,	Sherman,
Cantelon,	McWilliam,	Southam,
Caron,	O'Keefe,	Thomas (<i>Maisonneuve-</i>
Carter,	Olson,	<i>Rosemont</i>)—(25).
Fawcett,		

(Quorum 13)

Maxime Guitard,
Clerk of the Committee.

MINUTES OF PROCEEDINGS

FRIDAY, MAY 13, 1966.

(27)

The Standing Committee on Transport and Communications met this day at 10:00 o'clock a.m. C.D.T., at the Legislative Building, in the City of Winnipeg, Manitoba. The Chairman, Mr. Macaluso, presided.

Members present: Messrs. Andras, Ballard, Bell (*Saint John-Albert*), Boulanger, Byrne, Cantelon, Caron, Carter, Fawcett, Howe (*Wellington-Huron*), Hymmen, Lessard, Macaluso, MacEwan, McWilliam, O'Keefe, Olson, Pascoe, Reid, Rock, Sherman, Southam and Thomas (*Maisonneuve-Rosemont*).—(23)

In Attendance: Mr. Arthur V. Mauro, Q.C., Counsel for the Government of Manitoba.

The Chairman opened the meeting. The Committee resumed its consideration of the subject-matter of the adequacy of the present program and future plans for passenger service on the lines of the Canadian Pacific Railway.

Mr. Arthur V. Mauro was the first witness. He read a brief and was questioned thereon.

At 11:15 o'clock a.m. C.D.T., the Committee recessed for 10 minutes, on motion of Mr. Bell, seconded by Mr. Boulanger.

On re-assembling, Mr. Lessard moved, seconded by Mr. Olsen,

Resolved unanimously: That the letter submitted by Mr. J. E. McWilliam, of the Sherwood Lake Campers Association, be printed as an appendix to this day's Minutes of Proceedings and Evidence. (*See Appendix "X"*).

The examination of the witness continuing, at 1:00 o'clock p.m. C.D.T. the Committee adjourned until 2:00 o'clock this afternoon.

AFTERNOON SITTING

(28)

The Standing Committee on Transport and Communications reconvened at 2:00 o'clock p.m. C.D.T. The Vice-Chairman, Mr. Lessard, presided.

Members present: Messrs. Andras, Bell (*Saint John-Albert*), Boulanger, Byrne, Cantelon, Caron, Carter, Fawcett, Howe (*Wellington-Huron*), Hymmen, Lessard, Macaluso, MacEwan, McWilliam, O'Keefe, Olson, Pascoe, Reid, Rock, Sherman, Southam and Thomas (*Maisonneuve-Rosemont*).—(22)

In attendance: Messrs. Arthur V. Mauro, Q.C.; R. B. Copeland, System General Chairman of Transportation Communication Employees' Union. *From the City of Winnipeg, Manitoba:* Messrs. Mark Danzker, Alderman; and W.

Fraser, Q.C., solicitor. *From the town of Kenora, Ontario:* Messrs. J. A. Sherrett, Industrial Commissioner; A. S. Fleming, for Brotherhood Railroad Trainmen, Brotherhood of Locomotive Engineers, Brotherhood of Locomotive Firemen and Enginemen, approved and sponsored by Kenora Keewatin District Labour Council; E. McCormick, Executive Director of the Winnipeg Chamber of Commerce.

The Chairman opened the meeting. The Committee resumed its examination of Mr. Arthur V. Mauro, Q.C.

The examination of the witness being completed, the Vice-Chairman thanked Mr. Mauro who retired.

The next witness to be called upon was Mr. R. B. Copeland. The witness read a brief and was questioned thereon.

On motion of Mr. Sherman, seconded by Mr. Carter,

Resolved unanimously:—That the rates quoted at the bottom of pages 2 and 3 of the brief, read by Mr. Copeland, be printed as an appendix to this day's Minutes of Proceedings and Evidence. (*See Appendix "Y"*).

Then, on motion of Mr. Sherman, seconded by Mr. Rock,

Resolved unanimously:—That an article which appeared on the daily newspaper *Toronto Globe and Mail*, of May 13, 1966, and entitled "CNR Unions Hold Secret Parley on crews for proposed jet train", be printed as an appendix to this day's Minutes of Proceedings and Evidence. (*See Appendix "Z"*).

The Committee having completed its examination of the witness, the Vice-Chairman thanked Mr. Copeland who retired.

Then the Vice-Chairman invited Alderman Mark Danzker, assisted by Mr. William Fraser, to read a brief before being questioned thereon.

The Committee having completed its examination of the witness, the Vice-Chairman thanked Mr. Danzker and he retired.

Mr. J. A. Sherrett was next to be called. He read a brief before being examined thereon.

On motion of Mr. O'Keefe, seconded by Mr. Boulanger,

Resolved unanimously:—That the table on page 4 of brief presented by the town of Kenora, Ontario, be printed as an appendix to this day's Minutes of Proceedings and Evidence. (*See Appendix A-1*).

The Vice-Chairman invited Mr. A. S. Fleming to read a brief before being questioned thereon.

The examination of the witness being completed, the Vice-Chairman thanked Mr. Fleming who retired.

The last witness to appear before this Committee, sitting in the City of Winnipeg, Manitoba, was Mr. E. McCormick. The witness read a brief and was questioned thereon.

His examination being completed, Mr. McCormick retired after being thanked by the Vice-Chairman.

The Vice-Chairman thanked the Government of Manitoba for its hospitality and at 5:50 o'clock p.m. C.D.T. the Committee adjourned until Monday, May 16, 1966, at 10:00 o'clock a.m. E.D.T. to hold a public hearing in the City of Port Arthur, Ontario.

Maxime Guitard,
Clerk of the Committee.

EVIDENCE

(Recorded by Electronic Apparatus)

WINNIPEG, WEDNESDAY, May 13, 1966.

● (10.06 a.m.)

The CHAIRMAN: Gentlemen, we have a quorum.

Before we commence we will indicate what submissions are being made before the Committee.

The first brief will be presented on behalf of the Province of Manitoba by J. C. Mauro, Q.C., Counsel for the Province; the second brief will be presented by the City of Winnipeg, by the Chairman of the Committee on Finance, Alderman Mark Danzker; the third brief will be that of the Corporation of the Town of Kenora, presented by Mr. J. H. Sherrett, Industrial Commissioner. The other briefs—and we will determine their order depending on how we proceed on the first three—are those of the City of St. James, the Transportation and Communication Employees Union, the City of St. Boniface and the Brotherhood of Locomotive Firemen and Enginemen.

I have another brief here. I am just wondering if I could be advised if the brief to be presented by the Kenora-Keewatin and District Labour Council is the same as the brief that will be presented by the Brotherhood of Locomotive Firemen and Enginemen? Is Mr. Fleming here?

It will be the same brief. Thank you, sir.

There is a personal submission by Mr. J. E. MacMillan of Sherwood Lake Campers Association; and I understand, from a letter I have received that there is to be an oral presentation made by Mr. C. N. Kushner, Executive Director of the Manitoba Urban Association.

There are other witnesses here who intend to make submissions. Since we do not have any notification of their intention to do so, would they kindly stand and advise the Clerk.

Mr. McCORMICK: Mr. Chairman, I am Mr. McCormick representing the Winnipeg Chamber of Commerce.

The CHAIRMAN: I am sorry, Mr. McCormick. We have had no notification. Thank you very much. That is the Winnipeg Chamber of Commerce.

It will be our intention to adjourn for a noon hour break at one o'clock, and we will reconvene at two.

Mr. MAURO: Mr. Chairman and Members of the Committee: The Province of Manitoba welcomes this opportunity of presenting to this Committee its views relative to passenger services as provided by the Canadian Pacific Railway and more specifically with reference to the Order of the Board of Transport Commissioners No. 119542 dated the 7th day of January A.D. 1966, relating to

the transcontinental passenger service known as the "Dominion". We welcome this opportunity because it is our belief that beyond the importance of the specific service in question there are matters of national interest involved that warrant the attention and action of Parliament.

As to the order of the Board it is our submission that it should be rescinded immediately. As you are aware, the western provinces have appealed to the Governor General-in-Council pursuant to Section 53 of the Railway Act. It will be our position that the said order should be rescinded on the following grounds:

- (a) that the Board misdirected itself and failed to give effect to Section 315 of the Railway Act,
- (b) that the Board failed to adequately consider public convenience and necessity relative to the continued operation of the "Dominion",
- (c) that the Board failed to ascertain the costs properly assignable to the operation of the "Dominion" and misdirected itself as to the evidence presented by the Canadian Pacific,
- (d) that the Board misdirected itself as to the contract between the Government of Canada and the Pacific Syndicate dated the 21st day of October 1880 and ratified by Chapter 1 of the Statutes of Canada 1881.

Section 315 of the Railway Act

Section 315 (1) states:

"The Company shall, according to its powers,

- (a) furnish at the place of starting and at the junction of the railway with other railways and at all stopping places established for such purpose adequate and suitable accommodation for the receiving and loading of all traffic offered for carriage upon the railway,
- (c) without delay and with due care and diligence receive, carry and deliver all such traffic."

In Coyne's text, "Railway Law of Canada" 1947, at page 396 he states:

"By reason of the provisions of the Railway Act, a Dominion railway company differs from most common carriers in the following particulars:— (1) *the company must carry all traffic offered 'according to its powers', so that if it has power to carry any particular kind of traffic, apparently it must do so, no matter what its 'progections' may be;* (2) its right to limit its liability by contract is curtailed; (3) its tolls must be charged equally to all persons, and it must not give any undue preference in respect of tolls or facilities; (4) in the carrying on of its business it is subject to the supervision of the Board."

The president of the CPR was questioned concerning this matter during the hearings here in Winnipeg:

"Mr. Mauro: ...The matter I wanted to get clear today is that this Board is charged with something beyond the profit and loss statement of the Canadian Pacific and that the CPR under Section 315 is required to furnish adequate and suitable accommodation for the receiving and loading of all traffic offered for carriage upon the railway. Is that correct?

A. I do not disagree with your reading of the statute. I haven't got it in front of me.

Q. That is the overriding factor. What we are looking at during this hearing is not simply the cost of providing a service but rather that the CPR as a common carrier is required by law to provide adequate and suitable accommodation for all traffic offered.

A. For the carriage of traffic, I think are the words.

Q. For all traffic—for all traffic offered. The words are "for all traffic offered".

A. Yes.

Q. That is the approach that the CPR wants this Board to take?

A. I cannot quarrel with the statute of course. I don't think that is the whole story.

Q. That is what the CPR is charged to do. It isn't like any other commercial operation. You mentioned yesterday hotels. If a person goes to a hotel and doesn't have a room there that is unfortunate for him. I am suggesting that a regulated common carrier in Canada must provide suitable accommodation for all traffic offered.

Mr. Spence: No.

Ass. Chief: Is that not a matter for argument, Mr. Mauro?

Mr. Spence: Depends on what is suitable of course—what is adequate."

(Transcript—page 5096)

At page 41 of the judgment of the Board the learned Chief Commissioner states:

"I am not looking at the situation from a purely legal point of view but in that respect it is my view that Section 315 of the Railway Act which imposes obligations on railway companies to furnish adequate and suitable accommodation for traffic was enacted not for the benefit of the railways or for the benefit of their employees but for the benefit of the public."

and he quotes a statement of Mr. Justice Locke in *Pachat & Sons Limited vs. Pacific Great Eastern Railway* 1959 S.C.R. 271 at 298:

"The obligation imposed on railways in British Columbia by Sections 203 and 222 of the Provincial Railway Act and upon the transcontinental railways by Section 312 of the Railway Act of Canada (now Section 315) were enacted for the protection of the interest of the general public who require the services of these carriers. They were not enacted for the benefit of the railway companies or their employees."

The learned Chief Commissioner properly interpreted the section and previous decisions dealing with the section but he failed to give effect to the section relating to the evidence of passenger requirements and the "Dominion" service.

At page 70 of the judgment reference is made to the evidence of Mr. Warren which indicated that in the month of July 1965 there were 6,199

passengers on the "Dominion" east bound from Vancouver and 9,081 west bound from Winnipeg.

It is difficult to understand how the Board, in light of Section 315 and the reported decisions of the Supreme Court of Canada, can suggest that the removal of a train which offered service to 15,000 passengers in a single month would still be in keeping with the letter and the spirit of Section 315.

There is no dispute as to the railway's intention on this matter. It is their view that some of these passengers can take the "Canadian" if they so wish or they can go by bus or use their private automobiles. The Canadian Pacific indicated that subsequent to the abandonment of the "Dominion" it would no longer make available suitable accommodation for tour party traffic largely originating in the United States. With respect we suggest that this is in direct contravention of the obligations imposed by Section 315 of the Railway Act.

The seriousness and extent of the Board's misrepresentation is best illustrated in reference to the movement Brandon-Moose Jaw, (see Appendix I). You will note the Winnipeg-Brandon movement was 31,434 in 1964; that the "Dominion" had passenger carryings Brandon-Moose Jaw 43,861; and the Moose Jaw-Brandon 45,895. It also found that the "Canadian" offers no acceptable alternative to the residents of this area since its schedule is late at night.

The Canadian Pacific answered these facts with the statement that the Trans-Canada Highway is parallel and adjacent to the rail line and that the passenger figures quoted included tour passengers!

One must conclude that either the Board was unimpressed with total passenger carryings of 89,756 or that the Board interpreted Section 315 as excluding any obligation to provide service to "tour passengers". In my opinion, there is no such distinction or category of obligation in the section—rather it requires that the railway "...shall... furnish adequate and suitable accommodation for the receiving and loading of all traffic offered..."

I would like to refer again, by way of interjection, to that Appendix, because I think one of the interesting factors that arises from it is that you see 31,000 passengers moving between Winnipeg and Brandon, but there were 43,861 passengers on that train during 1964 between Brandon and Moose Jaw, indicating a very substantial local movement between Brandon and Moose Jaw; and similarly between Moose Jaw and Brandon in an eastbound direction. In fact, if you look at Appendix I you will note that westbound there is only one other segment in the Dominion that had equivalent carryings, and that is Montreal-Ottawa, 43,595, which is less than the Brandon-Moose Jaw at 43,861.

The same argument could be presented by the CPR that there is a highway parallel with their tracks between Brandon and Moose Jaw and there is certainly a highway that parallels their tracks between Montreal and Ottawa.

It is merely interesting to note that the CPR have maintained their service between Montreal and Ottawa with 43,595 carryings, but abandoned passage between Brandon and Moose Jaw, which had 43,800 westbound and 45,895 eastbound.

I might say that, eastbound, the only comparable one is the Sudbury-Toronto, which had 47,423.

We had some difficulty with the Judgment of the Board in trying to reconcile some of the figures relative to the tour passenger business, because this seems to bulk very largely in the minds of the Canadian Pacific, and apparently in the minds of the Board, that tour passengers in Canada do not have any rights; that is, that it is all right for the CPR to abandon the "Dominion" because a great deal of the traffic was tour passengers and they are of a different category.

I am quoting from page 70 of their judgment: "Mr. Warren gave evidence that in July 1965 there was a total of 3,798 first class through passengers east bound at Vancouver on the "Dominion", and of that number 2,334 were organized tour passengers." They subsequently set out the percentages of tour passengers and other passengers, and in our opinion they are not reconcilable with the findings of the Board, as indicated in their Judgment, and the figures that we are able to ascertain and calculate. I will not bother putting in these figures, but there seems to be a discrepancy here, and a very meaningful discrepancy, as between the number of tour passengers and the percentage of tour passengers to other passengers, if the figures quoted on page 70 are accurate.

Perhaps later, in any verbal discussions we might have, we could expand on that point.

The CHAIRMAN: Mr. Mauro, do you have a copy of the figures of tour passengers, as you have calculated them.

Mr. MAURO: Unfortunately, I only have one, but I will get some.

The CHAIRMAN: If you will file them with your brief.

Mr. MAURO: I will undoubtedly secure copies and file them, Mr. Chairman.

The CHAIRMAN: Thank you very much.

Mr. MAURO: At page 80 the learned Chief Commissioner states, with reference to Section 315:

"In my opinion the section does not impose an obligation to operate a train where the number of passengers offering themselves for carriage and the burden to the company of operating the train are such that any rational conclusion would have to be that it would be unreasonable as a matter of fact to expect such a train to be operated. The Board has never treated the obligation as an absolute one."

It is clear that the obligation is not absolute. No one has suggested that if one passenger offered himself for passage from Montreal to Vancouver that the railway was obliged by Section 315 to offer him carriage. But we suggest that the evidence before the Board indicated that a very substantial number of passengers offered themselves and desired to travel via the "Dominion".

At page 14 of the supplementary judgment the learned Chief Commissioner admits this where he states:

"Admittedly the situation in recent summers was not one in which patronage of the Dominion was negligible or in which it was a standby

service for days when the weather was inclement or when other preferred means of travel temporarily failed. It was patronized by organized tour and regular passengers."

This should have been sufficient for the Board to determine that on the basis of Section 315 of the Railway Act the Canadian Pacific was obliged to offer adequate service to the passengers in question, but the judgment goes on:

"—but in weighing the need for the train in the face of other considerations supporting its discontinuance there is the fact that bus or air facilities or both are available throughout most of the route of the train and that these modes of travel are also found acceptable by the public."

In the light of Section 315 such a statement is incredible. Section 315, as stated by the learned Chief Commissioner, was enacted for the protection of the travelling public, not for the benefit of the railway. If there are adequate numbers who offer themselves for passage the railways have an obligation to give service. The judgment of the Board now states in effect that although the "Dominion" was "patronized by organized tours and regular passengers", since there are other facilities the people who utilized the "Dominion" must use other means of transportation. If this judgment is allowed to stand the application of Section 315 will be reduced to an interpretation that the obligation of the railway will only apply in the absence of other means of communication.

To my mind, what the Chief Commissioner has, in fact, suggested is that the obligation under section 315 of The Act does not apply to passenger services if the provision of such services would result in a burden on the railway. Well, with respect to the members of this committee, I say they are wrong in their interpretation, because it is manifestly absurd to suggest that parliament enacted section 315 in order to obligate the railway to take on profitable service. I would assume that any meaning of section 315 can only make me conclude that parliament was saying to the railway that unprofitable services—those that create a burden—might still require their services; because we would assume that management themselves would not have to be statutorily obliged to accept profitable service. But this is, in fact, what this new reading of 315 by the Board in this case, seems to indicate.

Now, commencing at page 42 of the Judgment we find quoted at length the submission of the Canadian Pacific relative to the costs of operating the "Dominion" and I am now dealing with my point that the Board misdirected itself as to the cost data furnished. It was alleged that the variable costs of the "Dominion" for the year 1964 was \$20,828,166 and that the deficit was \$9,673,932. At page 84 of its judgment the Commission states:

"I am in agreement with their (board staff) estimate. The saveable expenses on that basis would be in the neighbourhood of \$6,000,000 and the deficit about \$3,000,000."

There is no explanation or breakdown of these board totals, but we assume that they are comparable to the figures advanced by CPR as above noted. Yet at page 88 of the judgment the board states:

"A preliminary estimate made by the board's staff is that a deficit of more than \$3,000,000 each year can reasonably be expected if the train operates in the summers of 1966 and 1967 (with its 1965 summer consist)

and the said heavy repairs to make ready for such operation are borne by these two years."

It is therefore difficult to know whether the board staff has determined that there will be an annual deficit of \$3,000,000 as appears on page 84 or a deficit of \$3,000,000 for a summer operation as indicated on page 88.

It is our opinion that the Board misdirected itself as to the costing evidence and failed to give effect to the evidence submitted under cross-examination.

I will now deal with some of the major headings in the method used by the CPR in the category of costs, the first being labour savings.

The CPR alleged that the variable cost for operation of the "Dominion" during the year 1964 was \$20,828,166. In prior testimony it had been indicated that the discontinuance of the "Dominion" would result in total system lay-off of men of approximately 100.

Commencing at page 5208 Mr. Nepveu is cross-examined by Mr. Mauro:

Q. Now could you tell the Board, in the case of the CPR the labor in-put factor in costs generally, trying to establish a degree of labor intensity in providing rail transportation service?

A. I would say that excluding cost of money the labor would be about 56 per cent.

Q. About 56 percent?

A. Of the railway operating expenses.

Q. One can therefore assume that of this \$20,000,000 that you will save by discontinuance of the "Dominion" somewhere in the neighborhood of \$11,000,000 would be a saving in labor?

A. Yes. I would say yes, 56 per cent of \$18,000,000.

Q. Well let us say in or about \$8,000,000 or \$9,000,000.

A. Yes.

Q. Could you describe to the Board how the CPR intends to save this \$9,000,000 to \$10,000,000 on the release of the Dominion. Is it by lay-off?

A. Well, I think there was evidence given...before mine to the effect that there was a substantial increase in freight traffic volume other than grain. There is a substantial increase in grain traffic because of the commitments that were referred to previously and therefore if there is an increase in traffic there is a demand for labor in the other areas apart from passenger.

Q. I understand the fact that people could be absorbed but I am looking at this now as you, a cost expert, looks at it. Is there a great deal of over-time now? Is the degree of lay-off going to be reduced because there is presently a \$10,000,000 cost of overtime work being performed that these men now involved in the Dominion will be able to undertake?

A. No, there is no \$10,000,000 of overtime being incurred currently. I think we have to look at the "Dominion" as the train that was operated in 1964 ... So, as you can see this reduction is not realized over night. It is a reduction that is being realized, I would say, on a gradual basis, at least until now in three steps:

Q. In light of your statement that 56 percent of the cost factors generally in the CPR experience is labor, and if the 1964 figures are correct that there would be a variable cost saving of \$20,000,000, then approximately \$10,000,000 is in labor and this saving will either be through laying off of personnel, and we have been told that would only amount to 100—is that correct?

A. Yes, that is the number of people who would be affected I believe."

At page 5212:

Q. The Board is interested in finding out exactly what are the revenues and expenses and reference has been made to variables. The variable factor vis-à-vis labor is \$10,000,000?

A. Variable costs, according to the figures in 1964, was \$10,000,000 approximately for the labor.

Q. Yes, and that is going to be saved if the Dominion is discontinued?

A. Yes I think so Mr. Mauro. Some of it has already been eliminated and I think that we can go back to our initial discussion for variable costs. Some of those costs are long term variable costs and I ask you to note this, because the time factor in savings is very critical.

Q. Yes.

A. Of course they will not be eliminated overnight. It might take months and perhaps a few years."

Unless the Board's staff had access to information that was not tendered in evidence, the statements on this category of costs indicate that either the CPR will be laying-off in excess of 100 men, which information is important if the Board was to properly assess the impact on the public generally, or that they cannot have savings of \$10,000,000 in the category of labor alone.

Now by way of testing that information, the average wage on the CPR, according to the D.B.S. in 1964, was \$4,832. If the figure suggested, that is going to be a real saving to the CPR as a corporate entity, is \$10,000,000—if that figure is correct—the labour saving would approximate to 2,000 employees, which is 3 percent of the total CPR labour force of 61,508. The CPR says: "We are only going to get rid of only 100 people, Mr. Mauro". Therefore, they are going to make this kind of saving of \$10,000,000; then, through the exercise of seniority, there would have to be a filtering down process that would only in the final analysis eliminate 100 men.

We say that the balance of the 2,000 people, which represents \$1,000,000.00 worth of labour costs—which would be 1,900—would have to find work within the company in the skill category without, in turn, displacing junior men, if the company's data is to be given any weight at all in evidence.

We have to admit that the board obviously cut them down by about 200 per cent eventually, but we did not see these figures: we do not know what basis the board used to make those calculations. All I am saying is that there is something strange either in the time factor involved in their variable calculations, or in the

number of men that are going to be laid off, if there is any credence to be given to the figure of \$10,000,000 in labour costs. Another category is "cost of fuel."

The CPR alleged that the variable costs of fuel for the year 1964 was \$1,226,439. They established this on the basis of miles run out by diesel units on the "Dominion". In cross-examination it was established that fuel consumption varied with other factors such as the weight of the train and speed of the train.

There was no weight given in the evidence to these factors. This is, I say, an unacceptable method of costing, especially in passenger travel,—the costing of fuel by the number of miles the diesel runs. The cost of your fuel would obviously vary with the weight of your train, the length of your train, the speed of your train, not only with the number of miles that the diesel unit travelled.

Another category was "Station Expenses."

The CPR alleged a variable cost of \$425,579 for this item. The cost was computed by applying to the passenger revenue of the "Dominion" the average cost of station service per dollar of passenger revenue. This is an intriguing method of costing—and the CPR can develop some of the most intriguing methods of costing. At page 5226:

"Mr. MAURO: So that according to your evidence there is a direct co-relationship between the amount paid for a ticket and the station expense?

A. No there is not a direct co-relationship. I used revenues—passenger revenues. Some of the station expenses are related to revenues—the sales of tickets and duties like that . . . "

At page 5227:

Q. On Monday, Tuesday, Wednesday and Thursday you sell tickets at a reduced rate. Is that right?

A. Yes.

Q. So that on all days except Fridays and Sundays you sell tickets at a reduced rate. The cost of selling those tickets does not go up on Fridays and Sundays just because the fares go up?

A. No they don't. Of course if we do the same thing for most of the trains we operate it won't make much difference."

You see what the CPR was doing here. The method in arriving at this \$450,000, was to take total cost of the station expense and allocate it on the basis of the ticket revenue. Of course, the station expenses do not vary with the cost of the ticket, they will vary for a number of reasons, for a number of factors; and I illustrated it by referring to the days that they sell the tickets a little cheaper. Do the costs go down? Of course not. The days that they make the tickets a little more expensive, do they go up? Of course not.

I am not saying that if a proper method were used we might not arrive at the same figures; but what we have indicated to the Board is that they were highly questionable techniques of cost accounting.

● (10:35 a.m.)

In fact, it is ridiculous to suggest that there is a relationship between the price of a ticket and the cost of operating the stations, and this method of costing should be disallowed.

Passenger Traffic Expense

It was not clear as to the method utilized by CPR in allocating costs of ticket agents and passenger traffic expenses as between the rail, air and steamship. At page 5229 this matter is discussed:

"Q. Did you make a deduction for them (air line ticket, steamship ticket) before this allocation?

A. Our rail passenger traffic expenses do not include the expense of selling the airline tickets nor the steamship tickets.

Q. You mean at the corner of Portage and Main when I walk in there to pick up a ticket on CPA the fellow who writes out that ticket for me for that period of time has his wage costs segregated out?

A. Well I would not be able to tell you just now if it is done on such a refined basis per individual employee. I think that I can give you that information later on, the exact method that is being followed, but I know that the passenger rail expenses do not include—or let us put it this way—exclude a proportion of the total traffic expenses which is charged to CPA or steamships."

I would like to know how that is done. I would venture to say it is probably an allocation. That they just saw it off and they allocate part to this and part to the other. The board should have satisfied themselves that this was a fair allocation, on whatever statistical basis they wanted to choose.

Cost—Traffic and General

Another example of these alleged savings relates to a purported saving of \$351,900 on pensions. This is the category where the CPR say if they could discontinue the "Dominion" they would save \$351,000 on pensions alone. At page 5322:

"Q. You told me yesterday that in the Traffic General the pension factor was \$351,900. How would you eliminate pensions if the "Dominion" is discontinued?

A. In the case of the 100 employees I don't think there is any doubt that there won't be any liability on the part of the Company in regard to pensions."

Q. Are you suggesting that the \$351,000 represents the annual pension to 100 that would be laid off?

A. No, I'm starting with the 100 employees.

Q. Yes?

A. In the case of those employees the company will no longer have a liability in regard to pension. In the case of the other employees if they are transferred to other services the company will still have the liability in regard to pension and that cost of pension attributable to the

employees will become the cost of another operation but it will no longer be the cost of the Dominion".

Q. Yes. It is not, again as you and I discussed yesterday, a net saving. It is just a shifting of cost."

It is not a net savings to the corporation; they are just lifting it out of a chargeable amount on the sheet called the "Dominion" and moving it over here to "freight, other passenger and other services".

But where the Board of Transport Commissioners is investigating whether or not a common carrier should be permitted to cancel out a transcontinental service it is imperative that the Board be looking to actual savings, not accounting savings and the transferring of the cost from one page to another page. Road Maintenance Expense: I think this is particularly interesting.

Road maintenance for the year 1964 totalled \$1,932,657. Mr. Nepveu was asked as to how these specific costs relative to the Dominion were segregated. At page 5231:

"Q. The question I am interested in is that you are telling the Board that you separated out of your road maintenance accounts under the qualification 'costs of road maintenance', costs associated with passengers from those associated with freight.

A. Yes sir—"

page 5232:

"Q. And after segregating these expenses as between passenger and freight and performing the test you have indicated for 1964 your study indicates that the CPR by discontinuing the "Dominion" could save approximately \$2,000,000 on road maintenance?

A. Yes sir. Over the long term.

Q. Well that is what the study indicates—\$2,000,000?

A. Yes sir.

Q. Is the discontinuance of the "Dominion" going to result in less road maintenance?

A. I would expect that it would result in less road maintenance.

Q. I understood that the traffic presently on the "Dominion" is going to go to other trains—all running over the same track. Is that not the evidence—that you will pick up whatever passengers are available and you have already transferred the front end traffic to other trains running over the same track—is that not correct?

A. Yes. Some of the traffic will move in other trains over the same track.

Q. And since it varies by gross ton miles, how are you to make this saving by the discontinuance of the "Dominion"?

A. Well some of the traffic will move—is already moving—the head end traffic and box cars.

Q. Yes?

A. And the gross ton miles—the weight of the box cars substantially less than the weight of the express cars.

Q. That is in your calculations is it?

A. No, it is not in my calculations. This is the cost of the "Dominion" as it was operated in 1964."—

and I draw that to your attention. This is not the cost of the "Dominion". Oh, I am sorry, this is the cost of the "Dominion". But these are not the saveable expenses. This is what they have calculated as being the cost of operating the "Dominion". Whereas they indicated that if the "Dominion" was taken off they could have an actual saving of \$1.9 million. It is not the case at all. Mr. Neveu was frank and candid enough to admit it. It was not savings. This was the cost of Operating. At page 5233:

"Q. And in Exhibit 5, Mr. Neveu, you have reduced the cost of road maintenance from \$1.9 million to \$562,000, or a saving of \$1.4 million in road maintenance by shifting the head end traffic from the "Dominion" to some other train. How would you save \$1.4 million by shifting the traffic on to another train running over the same track?

A. We save \$1.4 million for the "Dominion".

Q. But this is a saving to the CPR. The CPR is telling this Board that on road maintenance alone if they were permitted to discontinue the "Dominion" the CPR is going to have a variable cost saving of \$1.9 million.

Ass. Chief: \$1.4 million.

Mr. Mauro: I am sorry. \$1.9 is the total, Commissioner Griffin, and this year by reducing the front end traffic, taking it off the "Dominion" they had a variable cost saving of \$1.4 million.

Witness: For the "Dominion", yes. That does not mean that there is not going to be a cost road maintenance for moving the head end traffic which moves in the other trains, the fast freight trains and others."

At page 5235:

"Q. —I am suggesting to you that under road maintenance you would not have those savings because you would be transferring the traffic to other locals of the Canadian Pacific operating over the same lines.

A. This is designed to show the variable cost of operating the train under two conditions and it does not show the net savings that would be realized as the result of the change.

Q. Oh?

A. In order to show the net savings I would have to compute the cost of handling the head end traffic under the present operation.

Q. Then we want to make that clear to the Board, that your evidence was never intended to indicate the net savings to the CPR but only the costs of operating the "Dominion".

It is important to note these words, that the figure purports to be the cost of operating the "Dominion" and is not advanced as being the savings to the CPR. It is our opinion that the Board failed to give proper weight to the fact that the figures advanced by the CPR were alleged cost figures and not savings, and that the Board misdirected itself relative to cost data and ultimate savings.

I would refer to the judgment of the board on this matter at page 61, where they say: "Canadian Pacific did not furnish figures of the revenues and costs of sharing head end traffic in fast rate and highway services or the net financial benefits to these Dominion Companies from the transfer of the traffic from the "Dominion". Although figures of net benefit to the Canadian Pacific from the transfer of head end traffic from the "Dominion" to other services was not given; the board has heard numerous passenger train cases and has considerable knowledge of passenger and freight trains revenue and costs, and, drawing on that knowledge, the board's staff and I are of the opinion that the net benefit to the Canadian Pacific from transfer of head end traffic and discontinuance of the "Dominion" would be very substantial."

With respect to the learned chief commissioner and his staff, that was not sufficient in this case.

They had seen by direct testimony that this was not the net savings to the CPR but an alleged variable cost of operation of the "Dominion".

The board knew right away that what they should have done was find out what it is now costing them to carry that head end traffic and additional passengers on the "Canadian" and deduct that from the total cost and arrive at a net savings. What does the board say? The CPR did not furnish figures on the revenues and costs of carrying the head end traffic at fast rates and highway services, or the net financial benefit.

Now, the board has said that this was the first transcontinental discontinuance case they had to deal with, and they did not get those figures, and yet they say: "We will use our experience and background to determine not a fixed sum, but to say: 'In our opinion it would be very substantial'."

I think that the seriousness of this case, the opposition to the discontinuance, warranted the board demanding and obtaining actual cost data that would permit them, to determine the net benefit to the CPR from CPR figures. Another cost factor, that of the "Cost of Money":

The CPR included as a variable cost an amount totalling \$2.7 million for cost of money. This was based on a factor of 11.4 per cent on the net investment. The Board has on previous occasions established a cost of money factor in determining its requirements formula in setting freight rates. In the case of the CPR this item was calculated at 3.75 per cent, and we note at page 84 of the judgment the alleged savings under this category were disallowed.

The need for the determination of the actual costs of operating the "Dominion" is apparent when one considers how the cost pattern was detrimentally influenced by the simple mechanism of changing the consist of the train.

The admitted policy of the Canadian Pacific was to down-grade the "Dominion" by removing all revenue-creating traffic, (head end traffic) and thereby worsening its operating ratio. At page 5212:

"Mr. MAURO: Now one of the tests that is often applied in judging the efficiency factor is that referred to as 'operating ratio'. The expenses as a percent of revenue, and I note on your Exhibit 5 that while your revenue will drop from \$11.1 million to \$2.8 million, or decline to approximately one-quarter, your costs drop from \$20.8 million to \$7.7 million, or decline to approximately one-third.

Applying the test of operating ratio, the test of expenses as a per cent of revenue, in 1964 we see the "Dominion" had 187 per cent—expenses are 187 per cent of operating revenue. Your projection indicates a ratio of 271 per cent so that the removal of the head end worsens the operating ratio by some 84 per cent.

A. Can we put it this way—that the operation of the "Dominion" as we operate it now worsens the operating ratio by the percentage you have mentioned."

The Board failed to consider, or to give proper weight to, the evidence that the Canadian Pacific Railway was following a deliberate policy of down-grading the "Dominion" and thereby presenting the most unfavorable financial position to support an application for discontinuance.

A somewhat analogous situation was recently before the I.C.C. in the United States and the application was refused with one of the reasons cited being the attitude of the railway to discourage use of the service. In that case, Docket No. 23756, the Southern Pacific Railway applied for the discontinuance of one of its passenger services between Portland, Oregon and Oakland, California—715 miles. The service consistently lost money and in its petition for discontinuance the applicant pointed out that its overnight "Cascade Service" between Portland and Oakland, much favored by business men and tourists, would continue to serve this west coast corridor. While conceding that Southern Pacific's losses on the "Shasta Daylight"—which would be the equivalent of our "Dominion"—in 1965 were at least \$325,412, it was felt that the service was necessary for purposes of business, health, education, pleasure and recreation. The Commission Examiner found that the "Shasta Daylight" had been under-promoted. Evidence indicated that, contrary to promoting service on the subject trains, Southern Pacific discouraged use. Certain practices were cited as evidence of this policy:

- (a) Its employees were encouraged to sell airline tickets at stations along the route of the subject trains (a practice which Southern Pacific defended as part of its total transportation service)—and that could be applied to the CPR.
- (b) It does not pay commissions to rail travel or tour agents—and that could be applied to the CPR.
- (c) It does not sponsor family plan fares—and that could be applied to the CPR.
- (d) It presents numerous difficulties in the way of those seeking appropriate travel space by a variety of inconveniences—and you have probably heard about this on your Western trip.

The evidence further indicates that there had been vigorous promotion of the "Shasta Daylight" for a certain period—and this is what the CPR says about their passenger service also—but with the advent of the jet and fast freeway age, patronage declined to the point where Southern Pacific found that additional revenues generated as a result of advertising were less than the cost of the advertisements. Statistics submitted by Southern Pacific underscored the trend. Average daily passenger loadings per train during the summer months of June, July and August rose from 466 in 1949 (the year service was inaugurat-

ed) to a high of 478 in the summer season of 1955 and thereafter steadily decreased each year to a point in 1965 when the figure reached 99. The "Shasta Daylight" is presently operated only in the summer months.

The I.C.C. Examiner held that these arguments alone were insufficient to warrant discontinuance. He was impressed by the testimony of residents in the area that the service was required and the fact that the route traverses one of the most scenic areas in the United States. In addition, he concluded that the losses on the "Shasta Daylight" were minimal for a large financially healthy carrier enjoying a continuing growth trend.

After having written this I noticed another hearing before the I.C.C., covering the train, "The Lark", the largest of the Southern Pacific from Los Angeles to San Francisco. I unfortunately do not have the docket, and, I am quoting from the *Globe* of April 26, 1966. This, I think, is particularly appropriate because the facts on all of these cases are all the same.

While in the case of the "Shasta Daylight" they were alleging a loss of 356,000 and the examiner thought that this was insufficient itself, in the case of "The Lark", the largest which is an overnight run regularly from Los Angeles to San Francisco, the loss alleged was 1 million dollars. I am quoting from it now. And they had great advertisements concerning this train, "The Lark", saying, "What future is there for a bird that can't fly?" They gloomily cited a train carrying an average of 90 passengers a trip and taking 11½ hours for the trip of 400 miles. They symbolically tossed in the towel on overnight train travel from Los Angeles by citing 665 fast commercial air flights weekly between California's two largest cities, and by pleading that the company was losing more than 1 million dollars a year on "The Lark".

It is to be noted that the commission staff disputed this application—disputed the figures alleged. The Commission staff challenged the railroad loss figures and estimated the net deficit on "The Lark" at 285,000 for the last year. It listed the Southern Pacific system wide freight advertising for the year at 453,000, and put the passenger advertising cost—none of this direct newspaper magazine advertising of "The Lark", at 50,000. It noted that the railroad had a profit of 69 million, up almost 6 million over 1964. The commission staff recommended retention of "The Lark", and reduction of the fare.

This is a comic aside. Stan Freibergh appeared in the case, because he wanted the train to stay on, saying that he hated airplanes and driving on the freeways. He said he offered his services to Southern Pacific free of charge, as their public relations man and they didn't take him. He says: "In the diner the nice tablecloths and silverware have been replaced with sleazy paper place mats and dime store utensils with which to saw through the world's most expensive beef-sandwich and he added that the sandwich at \$3.25 was even tougher than the heart of the Southern Pacific reservation agent!

It indicates a differing trend in two countries by the governing and regulatory body. It is interesting to note that the staff was there questioning the figures and examining the Southern Pacific and saying: "You are underpromoting it. Certainly you are losing money on it. You have a duty to offer this service. It is not sufficient just to show a loss, even although, in your calculations, the loss is in the range of a million dollars.

The evidence about the downgrading of the "Dominion" you have heard of, and the policy of discouraging the rail passengers by the CPR is common knowledge. I say that this evidence alone before the board is sufficient to warrant refusal of the application.

The judgment of the Board in effect adopts the CPR defeatist attitude that rail passenger service must inevitably disappear and that any effort to improve the service or the price is without merit. The Board erred in accepting such an approach in the light of current attitudes of enlightened rail management.

G. C. Campbell, Manager of Passenger Service Development, Canadian National Railways, in a paper presented to the Canadian Transportation Research Forum, Quebec City, September 10, 1965 stated:

"In summary, red, white and blue is producing the traffic volume and the revenues which were predicted for it. With increased volume have come economies of scale which would not otherwise have been felt. The plan has also shown beyond doubt that a good product sensibly priced can be sold, and more, that if you make and sell a better product you can get a better price for it. For many of us in the railway it has come as a distinct shock to learn that the same marketing principles are at work in our business as in any other. Lastly, red, white and blue has made it possible to think in terms of the future where if the same marketing forces are working perhaps the same technology can also shape a profitable future for us as it has for countless other businesses including that of our competitors, only time will tell."

The fact is that the CPR presented no acceptable evidence as to the costs of operating the "Dominion" and highly questionable figures relative to long term savings if the "Dominion" were discontinued.

The foregoing examples indicate the unacceptability of the cost evidence submitted. In addition the Board itself, with admitted limitation for critical cost analysis, reduced the CPR's alleged costs from \$20 million to \$6 million and the deficit from \$9.6 million to \$3 million.

The Board should have rejected completely evidence which indicated cost exaggerations of 300 per cent and ordered a proper and full costing of the "Dominion" service. Surely the public interest required satisfaction of such an important factor before discontinuance was allowed.

I think that this is important. I want to make clear the position of the Province of Manitoba on this matter of passenger service, because we have maintained a consistent position.

We have stated in the past to the Premier, and presented in evidence to the McPherson Commission, that in the field of passenger services the railways should be permitted to introduce, both for fare and other mechanism, cost saving and procedures for increasing growths and minimizing costs and reducing losses. But we went further. The CPR has quoted the testimony of Premier Roblin before the MacPherson Commission. We said: "If there are passengers services which are deemed to be in the public interest, then the cost of these services should be met from the consolidated revenue of the country". This is not new to Canada. There is nothing strange or exotic about now suggesting

that, if there is a public service, it be met by the public of Canada, if it can't be met on a user basis.

We applied it in the case of the transcontinental rail system if there is a need—and I think there is indicated to be a need—for this service, then it is incumbent upon the board to have a proper costing; because we have experienced CPR costing before. We went through a most lengthy examination of CPR costing relative to export grain before the McPherson Commission, and that was a far more exotic performance than before the board in this case, and the Provinces of Alberta and Manitoba, who are spending many, many dollars, cut those costs down to a fraction of what they had been when the CPR first presented them. Because we know what railways can do with costs we know what anyone can do with costs, depending on how you weigh them, how you include geographic factors, how you include time factors in your variables; and I think that it was the duty of the board in a matter such as this to determine the real costs, and I think it was a matter for parliament and for this committee to determine whether there is a sufficient public interest to warrant that kind of project, either being carried on a corporate basis, or by the country at a consolidated revenue.

I would now turn to the final factor that I wish to deal with, and that is the failure of the board to give proper weight to the intent of the contract between the Government of Canada and the Pacific Syndicate.

It is important to briefly review the historical background to the construction of the Pacific railway in order to better appraise the policy questions that are relative to the discontinuance of the "Dominion".

As was stated in the report of the Royal Commission on Dominion-Provincial relations 1940, Book I, page 48:

"The coming of railways had made practicable the hitherto vague project of acquiring Rupertsland and of linking up with the colony (of British Columbia) on the Pacific. They would also furnish winter access to the sea through the Maritimes. By bringing this area stretching from sea to sea under a single government vast new possibilities for expansion would be opened, the trade of the Orient would be tapped and a great internal market integrating the occupations and resources of all the colonies would be established."

The Atlantic Railway was the intercolonial which was built and operated by the government. The Pacific Railway was no less necessary but was an even more complex and enormous undertaking. The acquisition of the northwest and union with British Columbia had to be negotiated first, then the longest railway of its time had to be built over some of the most difficult terrain on the globe. Manitoba entered confederation on the understanding that a railway would be built to connect it with the outside world. Its public lands, like those of the Northwest Territories, were reserved for the purposes of the Dominion, that is for homestead and railway land grants. When British Columbia entered the Dominion in 1871 the terms of union required the national government to begin a railway to the Pacific within two years and to complete it in ten. Railway construction was thus an integral part of national union and national expansion.

This plan for national development and the role of the transcontinental railway and its implementation have been described as follows:

"The first of these policies was to provide east-west channels of trade independent of United States by building a transcontinental railway wholly over Canadian territory. Such a railway would open the undeveloped land of the west for settlement and fix the political and economic destiny of the area, but the construction of such a line over empty distances and forbidding mountains could not be undertaken without extensive public assistance. This fact pointed to the second policy which was indeed an essential complement of the first. The public lands of the northwest were to be used by the Dominion to promote railway expansion and rapid settlement. Land grants would provide the greater part of the public assistance required by the railways. The railways in turn would make the lands valuable and a free homestead system would attract a rush of settlers. The decision to build an all Canadian railway and to establish a vigorous Dominion land policy were basic national decisions which, together with the adoption of the protective tariff which was soon to follow fixed the pattern of subsequent economic development in the Dominion."

(Report of Royal Commission on Dominion-Provincial Relations 1940, Book I, p. 48)

The Macdonald government's policy respecting completion of the Pacific railway was outlined during the debate on the Act, which ratified the agreement between the government and the Pacific Syndicate. Sir Charles Tupper, Minister of Railways and Canals, declared:

"The great national work, the Canadian Pacific Railway ... should be constructed ... through the agency of a private company aided by a grant of land and money."

(House of Commons Debates 1880, p. 5)

To that statement, Prime Minister Macdonald added that the company—

"would get a fair and full return for all their risk, for all their expenditure, and for all their responsibility."

(House of Commons Debates 1880, p. 486)

The Canadian Pacific Railway Company was thus to be the chosen instrument of national policy, fulfilling the purposes and obligations of the Dominion. Not only was the company to build the railway, it was, in the language of the Act—

"... hereafter and forever ... to ... efficiently maintain, work, and run the Canadian Pacific Railway."

(44 Victoria Ch. 1, sec. 7)

This obligation in perpetuity was made even more solemn by the matching exemption of the company's railway property from taxation in the Northwest Territories, also in perpetuity. The line, privately owned and operated, was to be a national line built as part of a national policy to fulfill national purposes.

The undertaking was large—the immediate potential traffic small. The government, in keeping with its policy, offered generous inducements to the investors to undertake the venture.

The benefits received by the company under the terms of the first contract with the national government were as follows:

1. A subsidy of \$25,000,000.
2. 25,000,000 acres of land in western Canada.
3. 713 miles of railway constructed by the government from Selkirk to Lake Superior, Kamloops to Port Moody, and Selkirk to Emerson, which rail lines were later valued at \$37,785,320.
4. All of the lands required for the roadbed, stations, station grounds, work shops, freight yards, docks and other structures.
5. In addition the company was to receive admittance, free of duty, of steel rails and other materials used in the construction of the railway, telegraph lines and telegraphic apparatus.
6. Tax exemption forever of capital stock, stations, station grounds, workshops, buildings, yards and other property, rolling stock and appurtenances.
7. Tax exemption for twenty years or to the time of sale or occupancy of the lands of the company in the Northwest Territories.
8. Finally, the company was granted a territorial monopoly of railway construction and operation in western Canada for twenty years.

The matter of non-rail assets of the Canadian Pacific Railway were a matter of consideration before the recent Royal Commission on Transportation. Paragraph (a) of the terms of reference directed the Commission to consider—
“—whether and to what extent the Railway Act should specify what assets of railway companies in business and investments other than railways should be taken into account in establishing freight rates.”

Counsel for the provinces requested additional data relative to this matter but their motion was denied by the Commission.

It is therefore imperative that this Committee review the contractual obligations of the CPR because previous testimony along with the corporation's policy in discontinuing passenger service indicates that the company has assumed that all corporate obligations under the contract of 1880 have been fulfilled.

At page 2076, Volume 15 of the Royal Commission evidence, in the cross-examination of Mr. Reid by Mr. Mauro:

“Q. Now on page 13 of your precis, the last paragraph, it says—‘the cash and lands received under the contract of October 21, 1880 were not subsidies in the ordinary sense’.”

Mr. Reid was referred to the statute of 1881, and at page 2078 was asked:

“Q. Now you tell me that when this document says that they are to receive \$25,000,000 in money and 25,000,000 acres in land this is not a subsidy in the ordinary sense?”

A. It is not a subsidy in the ordinary sense. It is an Act of parliament that had the greatest national purpose and was for the purpose of solving a problem, not only evolving from the union of British Columbia but for the development of Canada, which was of the greatest importance to the country."

And at page 2082:

"Q. I also refer you to the Dominion Bureau of Statistics catalogue No. 52202, Canadian Pacific Railway 1923-1958, under what they call 'subsidies':

"The Canadian Pacific Railway and other companies now comprising the system was granted subsidies from the Federal Government, provinces and municipalities in the form of cash and expenditures on construction. These are summarized in the following table.

'Cash subsidies are: Federal \$88,437,180; Provincial \$12,455,303; Municipal \$5,261,064; total cash subsidies \$106,153,547.'

● 11.04 a.m.)

Now do you tell me that \$106,153,547 and 43,962,546 acres of land of Canada is not a subsidy in the ordinary sense? I agree with that because I believe it is in an extraordinary sense."

The up-to-date figures, as of the Dominion Bureau of Statistics, 1923-1964, Catalogue No. 52-202, state that the cash subsidies total \$106,280,334 and the land grants 43,962,546; so that there has been no material change since the Royal Commission. At page 2083, Volume 15:

"Mr. Mauro: Then you state at page 14 that great risk of loss was assumed by the company. What was the initial capital paid in to the company?

A. The initial?

Q. The initial paid subscribed capital?

A. I think it is \$10,000,000 if I am not mistaken.

Q. And for that \$10,000,000 they received a \$25,000,000 cash subsidy, 25,000,000 acres of land, a line in northern Ontario which was subsequently valued at \$37,000,000, and this was a great risk of loss assumed by the company?

A. Well, there was further capital put in. After the initial capital there was considerable further capital put in before the main line was completed.

Q. Would it seem accurate that by 1922 the earned surplus of the Canadian Pacific Railway had risen to \$292,000,000?

A. I do not know that figure but it was always the practice of the company to pay out less of the year's earnings to the shareholders than was shown in the statement in order to put money back in to the property for development.

Q. But I take it—you and I will agree that whatever they received in whatever sense it was received under the 1881 statute, it was given and

accepted for the completion and perpetual and efficient operation of the railway by the said company?

A. I do not think it would be proper for me to try to interpret the statute Mr. Mauro."

Counsel for the Province of Manitoba discussed with Mr. Reid the other forms of statute involving land and money subsidies to the Canadian Pacific Railways. Reference was made to the fact that they were markedly different from the 1881 statute since there was no obligation of perpetual and efficient operation and maintenance of the road. At page 2085 the following appears:

"A. I think that type of statute you have shown me there, that subsidy of \$3,200 a mile was the most typical.

Q. Yes and I see there is a marked difference between that statute and the statute of 1881.

A. A marked difference—that is right."

The attitude of the CPR was best illustrated in the testimony of the then president, N. R. Crump, at page 3864 of Volume 27 of the Royal Commission testimony:

"Mr. Mauro: Canadian Pacific Railway, Mr. Crump, is more than a simple investment in rail property, but is a corporate entity involving other assets in addition to rail property. Is that correct?

A. That is correct . . . but the position of the Canadian Pacific of course is that the railway enterprise should stand on its own feet and it was in that context that I wrote this.

Q. Should the rail enterprise stand on its own feet Mr. Crump on everything that the rail enterprise ever received?

A. I do not understand your question.

Q. I am sorry. I wondered if in this connection the Canadian Pacific Railway feels that, for example, 25,000,000 acres and the \$25,000,000 and any subsequent receipts by the Canadian Pacific Railway received, because of its rail enterprise, should be grouped together?

A. Not necessarily so. What we received in 1881 was part of the contract price. It was a contract, as I understand it as a layman, and both sides of the contract were fulfilled by 1885, and now I am thoroughly convinced that, as I say, the rail enterprise must stand on its own feet.

Q. . . . But we are going to be referring, as this Commission progresses, to particular aspects of that contract. There is one rather interesting phrase where the Dominion government gives you these items that I have mentioned—and there were some others—for the perpetual and efficient operation of the railway, but this is a legal matter.

A. That is right.

This is rather interesting, because there has been a fairly active campaign by the CPR, since your Committee deliberations started, to explain to the people of Canada that they really received very little—and that it was almost a charitable institution that was functioning under the name of the Canadian Pacific Railway, and they had forced on them all of this money and all of this

land and they are really continuing as one of the truly fine charitable institutions in Canada.

The more recent statements by Mr. Crump would be humorous if it wasn't a serious matter, because he does have a good sense of humour, and I am prepared to pay him the respect that he had his tongue in his cheek when he said some of these things. At the annual meeting, just the other day, he told the people that there had been a lot of trouble again on this matter, particularly with these poor fellows out West, who always create trouble and you will understand, gentlemen, that we are somewhat pathological!—but when you go over the history, when it was our 25 million acres and it was tax exemption in perpetuity in western Canada and a few other things, that we in western Canada we feel a sort of vested interest in the CPR.

Mr. Crump, the Chairman of the Board, stated: "I would like to place the facts of these grants on record. The construction of the Canadian Pacific Railway was the primary physical means for the creation of Canada as we know it today . . ." My comment about that is that no one is ever going to accuse Mr. Crump of ever being modest. It is a nice succinct statement of why Canada exists today. — "The construction of the Canadian Pacific Railway was the primary physical means for the creation of Canada as we know it today"—but he goes on from his modest position and states that there is really nothing in Canada—twelve hundred miles of trees, lakes and barren wilderness with a population of 75,000 between Ontario and the West coast. He doesn't indicate in this particular section whether or not Manitoba was there even in postage stamp size, the purpose being to link up British Columbia with the eastern markets.

He continues: "The government was to build the portions from Port Moody to Kamloops, from Fort William to Winnipeg, and on completion these portions were to be turned over to the Company. From the point of view of the government, the agreement was a lifesaver." Then he goes on in his very modest way and he quotes, then, George Stephen who told the fifth annual meeting in 1886: "While we received all of this, in the future it will neither expect nor need anything from the government but fair treatment." As I say, it would be amusing, because in the very next paragraph Mr. Crump says: "Subsequent to this government guarantees on company loans were at times required, but the loans involved have long since been paid." "The successful pushing through of the Canadian Pacific main line was, thus, far more than an engineering and financial achievement, it was vital to the Canadian nationhood and the very foundation for the developed prosperous country that we know today." I say, it still is. This is not contest between Manitoba and the CPR about what that deal was, or whether or not that deal was good. That deal in 1880 was essential. It was a factor in the extension of national policy in the creation of this nation. What we find frustrating and annoying is this interpretation of it on a purely private corporate basis. Now the CPR is as important today to the livelihood and existence and development of this nation as it was in 1880, but we are finding it more and more difficult to accept the kind of reasoning that says that you can take this narrow, corporate approach and still be within the very meaning of the creation of this Company.

He says, "I will quote Stephen again: in the future the Company will neither expect nor need anything from the Government but fair treatment."

There has been some comment on this kind of approach. I have the statements of the Minister of Agriculture, Mr. Greene, as quoted in the *Free Press* on January 13th, when he was speaking in Saskatoon. Mr. Greene has very quickly acquired a western view and, I would like to think, a Canadian view relative to the Canadian Pacific. He was quoted then as saying: "I have no sympathy with the CPR attitude that we can make more dollars by abandoning rail lines and renting box cars to the United States because we are a private corporation and we can do what we like. One of the reasons that Sir John A. Macdonald originally had given the railway a monopoly, and the axillary rights which are almost invaluable today, was that its profit position was limited because it has a public duty to perform. That public duty did not stop in 1867, and it has not stopped now. The first duty of the CPR is to carry out its responsibilities to the public within economic bounds. The CPR should give up certain of its amenities, such as oil, before calling profits first and public rights later".

In this downgrading of what they received, because if you will read the annual statement, Mr. Crump, in effect, alleges that the \$25 million was to all intents and purposes pretty well useless, and the money was highly questionable as a negotiable commodity, and the rail line apparently that they acquired was suspect, and they really did not attain very much. Well, Mr. Jack McArthur, of the *Toronto Star*—and I am always so pleased to find someone in eastern Canada who takes an interest in this subject—in reading some of this material commented on April 27th: "The CPR was of great importance to Canadian development just as it argues, but Canada has been of considerable importance to the CPR. The statements from that Company never mention that. Eventually, Canada might well have found another group to build this railway. The CPR and its factories probably could not have found another Canada. The implied argument that we may owe them more than they owe us, therefore, sounds a little silly. In fact, the whole argument is both silly and futile. I wonder if it would like to get out of the rail business entirely and live on the proceeds of the grant that it was given to get into the rail business? That would be a living example of the lack of logic in the CPR position".

I think there is a great deal of merit in that. But this whole discussion as to whether or not the grants were really as valuable as some people say, or less valuable than some people say, is a completely academic discussion. The fact is that they received them. It was a contract that was thought to be a good contract by both sides and I think it is a function of Parliament now to look at this contract, as trustees for the citizens of Canada, and say whether or not the terms of that contract are being fulfilled. Because I will not accept this statement of Mr. Crump that as far as he was concerned the deal was completed and consummated in 1885, and that whatever they received then or subsequently is theirs to do with what they wish.

In Volume 29, page 4269, Premier Roblin placed before the Commission the view of the Province of Manitoba relative to this matter of other assets. He states:

"The Government of Manitoba is of the view that the allocation of the railway companies' income between rail and non-rail in the determination of financial requirements for rate-making purposes is not in accord with the historical factors pertaining to the creation of our railway system. We wish in particular to direct the Commission's attention to the non-rail assets and earnings of the Canadian Pacific Railway. It is our submission that the Canadian Pacific Railway Company cannot properly be regarded as a dual corporation. Although the Parliament of Canada in the enactment of incorporation and in the subsequent supplementary enactments gave to the Canadian Pacific Railway wide powers and privileges, the Company was formed in 1881 to accomplish a specific objective, to complete and operate the Pacific railway. We submit also that the allocation of requirements between rail and non-rail income does not provide a proper guide for the determination of the financial requirements of the Canadian Pacific Railway for rate-making purposes. The Canadian Pacific company was established as an instrument of national policy. The contract between the company and the Government of Canada dated October 21, 1880 set forth the mutual obligations."

And at page 4271 Premier Roblin continued:

"In consideration of the obligations accepted by the Company, the government granted to the company a cash subsidy of \$25,000,000 and 25,000,000 acres of land with additional lands for rights-of-way and structures. The government also transferred to the company those portions of the line which it had built through northern Ontario from Fort William to the Red River and from Kamloops to Port Moody in British Columbia. This completed line of 713 miles was later valued at \$37,785,320. In addition the company also received valuable duty and tax exemptions and certain exclusive territorial rights under what was known as the 'monopoly clause'.

"We would direct the Commission's attention to the fact that the 25,000,000 acres of land received by the company from the government of Canada were located entirely in western Canada. The territorial monopoly granted to the company by the government of Canada whereby the construction of other railway lines between the main lines of the Canadian Pacific Railway south to the United States border would not be allowed was also restricted to western Canada.

"The Province of Manitoba also submits that the Parliament of Canada when it established the Canadian Pacific Railway Company envisioned a corporate entity and not a corporation with a dual purpose and with the segregation of assets between the rail enterprise and the various subsidiary enterprises. At no time since 1881 has parliament rejected or revised its original view of the Canadian Pacific Railway as a corporate entity. The Company's charter has been revised over the years but none of the amendments have established new purposes or have

altered the original objective. The wording of the various statutes amending this charter make it clear that parliament had no intention that the company might exercise its additional powers as ends in themselves or for purposes divorced from the objective for which the company was originally formed. Parliament defined the purposes of the Canadian Pacific Railway Company in 1881 and it has been the intent of parliament as stated in the amending statutes that the additional powers granted to the company would be exercised only as they would contribute to these purposes. The government of Manitoba therefore submits that the division of income of the Canadian Pacific Railway into rail income and non-rail income is not a proper division and that such segregation has never been the intent of the parliament of Canada."

Corporate manoeuvres in recent years in setting up of such subsidiaries as Canadian Pacific Oil and Gas Limited, Marathon Realty Company Limited, Pacific Logging Company, Canadian Pacific Investments Limited, makes clear the view expressed by Mr. N. R. Crump that any contractual obligations of the railway were fulfilled in 1885 and that the rail enterprise stripped of any benefits of land grants or subsidies must stand on its own.

Pursuant to this rationale we are witnessing what is in effect an internal "spin-off" of corporate assets from rail to non-rail enterprise and the Canadian Pacific Railway Company in its most recent annual report appears more and more as a giant investment trust which happens to have an investment in rail, rather than a corporation created and richly endowed by this nation for the specific purpose of providing transportation service.

The Province of Manitoba respectfully submits:

- (a) That Board Order 119542 be set aside as being in conflict with Section 315 of the Railway Act, the evidence being clear that passenger service in the region affected will be inadequate if the "Dominion" is discontinued;
- (b) That a public inquiry be conducted into the requirements of passenger services in Canada and the obligations of the Canadian Pacific relative to the providing of such services.

All of which is respectfully submitted.

APPENDIX 1

Statement No. 3

CANADIAN PACIFIC RAILWAY

Revenue Passengers Carried on "The Dominion" by Conductors Run

	Year	Seven Months	January-July
<i>Westward</i>	1964	1965	1964
Toronto-Sudbury	37,437	18,041	23,311
Montreal-Ottawa	43,595	23,057	26,241
Ottawa-North Bay	31,445	15,895	18,829
North Bay-Sudbury	24,060	12,270	14,232
Sudbury-Chapleau	34,606	18,658	20,109
Chapleau-Fort William	39,533	21,014	23,001
Fort William-Winnipeg	33,843	17,453	19,945
Winnipeg-Brandon	31,434	17,253	17,997
Brandon-Moose Jaw	43,861	23,720	24,936
Moose Jaw-Medicine Hat	36,162	19,434	20,736
Medicine Hat-Calgary	33,779	17,397	18,599
Calgary-Field	28,501	14,553	16,584
Field-Kamloops	28,149	14,459	15,463
Kamloops-Vancouver	29,558	15,341	16,371
<i>Eastward</i>			
Vancouver-Kamloops	28,531	12,772	15,355
Kamloops-Field	26,243	11,792	13,711
Field-Calgary	30,098	12,914	15,706
Calgary-Medicine Hat	35,305	16,207	18,357
Medicine Hat-Moose Jaw	36,214	17,290	18,343
Moose Jaw-Brandon	45,895	22,603	24,069
Brandon-Winnipeg	35,232	16,529	17,672
Winnipeg-Fort William	38,481	17,639	20,108
Fort William-Chapleau	39,954	18,987	20,675
Chapleau-Sudbury	36,264	16,834	18,302
Sudbury-North Bay	23,877	10,977	13,546
North Bay-Ottawa	28,901	12,409	16,547
Ottawa-Montreal	26,336	12,543	14,574
Sudbury-Toronto	47,423	20,904	27,918

NOTE. Compiled from data reported by conductors in Passenger Train Report, form IDP 352.

The CHAIRMAN: I want to thank you, Mr. Mauro, for your magnificent exposé.

Just a minute, Mr. Bell, please. I will put your name down and—

Mr. BELL (*Saint John-Albert*): All I wanted to say was that Mr. Mauro has had quite lengthy testimony, and would it be an idea to take a five or ten minute break now? We could think of our questioning and make it more orderly. It is just a thought. We will be going to one o'clock right afterwards anyway.

The CHAIRMAN: Would you make a motion, Mr. Bell?

Mr. BELL (*Saint John-Albert*): I so move.

The CHAIRMAN: Proposed by Mr. Bell, seconded by Mr. Boulanger, that we postpone this meeting until half past eleven. That will give us ten minutes.

On resuming:

The CHAIRMAN: Gentlemen, before we proceed with the questioning of Mr. Mauro, I want to obtain a motion. There was an individual presentation that was to be made, but we are going to print this letter as an Appendix to our Minutes of Evidence and Proceedings.

I have a motion—moved by Mr. Lessard, seconded by Mr. Olson. All in favour? Carried.

This is a presentation by Mr. J. E. MacMillan on behalf of the Sherwood Lake Campers Association.

Mr. Sherman.

Mr. SHERMAN: Thank you, Mr. Chairman.

Mr. Mauro, first I would like to commend you, sir, on the very excellent brief which has certainly armed us, as Members of the Committee, with considerable ammunition with which to come back at CPR management, because we intend to recall them before this Committee at some time in the near future. I am sure everyone on the Committee will agree with me that you have very effectively primed our weapons for us for that next engagement.

There are one or two questions that I want to ask you, Mr. Mauro. I will be brief. They pertain to matters that you and I have discussed ourselves before, outside this Committee, but I would like to get them on the record.

Would you suggest, sir, that this Committee avail itself of the services of an independent, disinterested team of cost analysts to examine the costing methods employed by the CPR in presentation of its argument in this case?

Mr MAURO: Mr. Chairman, I would say yes. I want to make the point that while I have spent a fair amount of my time fighting with the learned men of the CPR, they have a fine costing division—one of the best—in the CPR. We criticise them, and frequently as a lawyer who, unfortunately, is brought up in an adversary system, we say things that might be interpreted as calling into question the *bona fides*. That is never intended. But we have found that with the best intention, in costing, as in most things that you men are aware of, as I am,

depending on how your approach it you can come up with a different answer; and how you weight your factors in costing: your incidence of geography and weather in costing. Any one of the co-efficients that you might use and determine can vary depending on how you approach it; and if your principal hypotheses is wrong, then all of your subsequent ones are going to be in error.

Therefore what I say is that I think an independent cost expert is essential. I think the Board was right in saying that they have had a considerable amount of experience, but they do not perhaps have the staff to deal with present problems introduced by new sophisticated costing techniques in the use of computers and regression analysis that we came up against in grain costing, and that was considered to be one of the fine costing jobs in North America. As you know, a fair job was done in reducing those costs. That is not to say that the CPR people are incompetent; on the contrary, it is to say that there are different opinions about the factors that should go into the equation, and I do not think that you can feel satisfied that you have the real cost unless you do have independent cost experts sit down with the CPR, obtain the data from the CPR and prepare their own conclusions.

Mr. SHERMAN: Thank you.

Would you suggest any method by which the transportation problems in this country, now so complex, might be met and handled in a more equitable way from the point of view of the total complex of Canadian society in the future? Would you have any proposal with respect to that problem?

Mr. MAURO: Well, Mr. Sherman, at the time of the MacPherson Commission, the Province of Manitoba introduced the proposal that a transportation advisory council, I think it became called—there is nothing significant in the name—should be set up that would act as some type of a co-ordinating agency for the many areas and instruments of national policy relative to transportation.

It may be that Manitoba, being in the centre of the country, is affected more than other areas; I do not know. I know that there has been an historic interest in transportation in Manitoba. I think the first resolution of the Winnipeg Chamber of Commerce was against freight rates and the level of freight rates. The fights of the Province over the monopoly clause are historically there. We made a fair contribution of personnel to the Canadian Pacific Railway, both in the past and at the present time.

We could see, as we perused this problem, that there seemed to be so many agencies now dealing with the allocation of transportation resource in Canada—the Board of Transport Commissioners, the Harbours Commission, the Seaway Authority, the Air Transport Board, National Energy Board, all dealing with methods of transportation, be it by road, water, air or pipe line. It seemed to us incumbent at this stage to start talking about whether or not we are making the most efficient allocation of our transportation resource for the benefit of the whole of Canada.

We felt that perhaps it was a time, instead of having a royal commission every ten years—and you can almost historically mark off the decades with the census and the royal commission on transportation—that if there was an agency that might annually go across the country, listening to these problems, assessing the problems as they affect the various regions of Canada, we might be

able to deal with the problems in more than an *ad hoc* basis, instead of allowing a problem to get so critical that you have to have a royal commission to deal with horizontal freight increases, or passenger services then maybe this body that we talked about could alleviate that problem and keep Government and Parliament up to date with the current transportation and future transportation problems as they were developing.

Mr. SHERMAN: One final question, Mr. Mauro—and I take this opportunity to thank the Chairman and the Committee for allowing me to have the first opportunity to participate in this question and answer exchange: In our deliberations, and hearings across the West up to this point, we have heard considerable pressure for local rail services across the West, not necessarily of a transcontinental nature. At point after point we have encountered the argument that the local travelling requirements of that particular locality, or community, or region, are not now being met effectively by the Canadian Pacific Railway, but that a second transcontinental service may not necessarily be required to meet their needs. In other words, perhaps some kind of a service from the Lakehead to Vancouver would suffice.

I note that in the concluding paragraphs of your brief that the Province of Manitoba states that the evidence is clear that passenger service in the region affected will be inadequate if the "Dominion" is discontinued, and I take it from that that the province of Manitoba is interested in resurrection or restoration of the "Dominion" passenger train.

Would you settle for less than the restoration of the "Dominion" passenger train? Would you settle for some sort of a supplementary local service to meet the needs, for example, of Brandon-Moose Jaw travellers?

Mr. MAURO: I think that one should not close the door on an alternative to full transcontinental service. When I use the word "Dominion" I do not mean it that it should be rigidly interpreted as a run from Montreal to Vancouver.

I think there is some interesting work being done in the field of passenger train utilization and uses today. I think there is a field where the passenger train can effectively deal with the automobile and the aircraft for the sake of this discussion I would say that that is somewhere in the range of about 400 miles. I would say over 400 miles, the aircraft becomes a real factor, both costwise and timewise; I think that it becomes more economical for the aircraft over 400 miles. I think that the normal person looking at passenger travel over 400 miles will be looking for the time to be saved by way of air.

But I think in that range passenger trains can give air and road a real run; and if you apply it to our region—I refer to Winnipeg-Fort William, Winnipeg-Regina—the "Dominion" was a uniquely attractive service. You could get on the train here in Winnipeg in the evening at seven o'clock, overnight to Fort William; you would be there for a full day's work, you could get on the "Dominion" out of the Lakehead in the evening, and be in Winnipeg the next morning, having had no real loss of any time; and similarly, westbound. Therefore, you might very well approach this on a large or smaller region, I indicated a focal region out of Winnipeg; but one might look at the region from the Lakehead to the coast. I am not prepared to discuss which should be the region, but I think that the "Dominion" did meet a demand and could meet

a demand where the automobile was not a factor. The drive from there to the Lakehead is a difficult drive. The drive from here to Regina is a difficult drive. The drive from here to Portage la Prairie and to Brandon is not a difficult drive and to meet that I do not think a dayliner is going to do it, or anything else is going to do it, because you would have to have such scheduling that one was leaving on the hour every hour really to meet the competition of the motor vehicle.

But I do think that if you have good scheduling and good service that you can deal with the air and the road as a major competitor.

I am sorry that I have been so "windy" in replying to you, Mr. Sherman, but I do not try to take the position that this Committee should recommend necessarily that the "Dominion" from Montreal to Vancouver be re-instated as such. I think that the summer service should be back on, and it certainly should be on from the Lakehead to Vancouver; but in the context of an immediate solution this Committee may, after its deliberations, decide that it should go on in a more limited area.

Any other recommendation is that a full enquiry be held on the matter of passenger rail services in Canada, to determine what, in fact, are the basic requirements of the Canadian public for rail passenger service.

Mr. SHERMAN: Thank you.

● (11.48 a.m.)

Mr. REID: Mr. Mauro, I would like to congratulate you and your province for really successfully articulating a great number of complaints which have come before us from people who did not have all the necessary research facilities, and the facts and figures that you have here.

I would like to ask you one question concerning your first recommendation with respect to bringing back the Dominion. Would you bring back the Dominion as an exclusive passenger service, whether it be between Montreal and Vancouver or the Lakehead and Calgary, without the fast freight and express service which was an integral part of its consist?

Mr. MAURO: Well, Mr. Reid, my reply to that would be that the consist of the train becomes only *germaine* if we are costing it. If the committee were to determine that the Dominion should go back on, then I think the committee would have no real obligation or right to dictate to the CPR with respect to how they should make up that train. The consist becomes relevant to the discussion if one is discussing the savings to be realized in discontinuing the Dominion because you can have a better or a worse picture by transferring the front end or head end traffic to other means, be it highway services or fast freight. However, I do not know that I would have any concern at all, if the Dominion returned, with regard to whether or not the head end traffic was required to be put back on. I think this is a matter of rail management and if it suits their purposes to have it on, very good; it is to their benefit to minimize costs.

The point that I was going to make was that when the CPR announced that they had ended their contract with the Post Office, the reason given for this was to make the passenger service much more swift and attractive. If you are going to put the Dominion back on as a passenger service, then this factor of the attractiveness and the ability of the company to merchandise it effectively has to be taken into consideration.

Mr. REID: That is to merchandise the passenger service?

Mr. MAURO: Yes. I never heard anyone say that the reason they did not take the Dominion was because it was too slow as a result of the front end traffic it had to handle. I really do not believe that, because you can cut off an hour on a train between Vancouver and Winnipeg, it exposes to you an entirely new market. The person who takes the train is indicating a time factor completely inconsistent with that kind of reasoning as saying, "If we drop the mail and drop this, we can highball it to Winnipeg in X hours as opposed to X plus one".

Mr. REID: I enjoyed your interpretation of the original history of the CPR. However, it seemed to me that the burden of your argument, with regard to the CPR's obligations to this country, was not based so much on an historical argument as it was to a public utility.

Mr. MAURO: You are never as clear on these things as you sometimes think you are; it is only after you have spoken that you realize how obtuse you sometimes are. That was not my intention. In fact, I approached the argument concerning public utility under Section 315 of the Railway Act. It was a public utility type of argument, if one can refer to it in that way, that they had an obligation by statute to offer accommodation.

My historical argument was to indicate that there was something beyond that with the CPR, that this company is probably unique, and you can use as wide a scope, geographically, as you want in that expression. But it is unique in Canada because, as compared to other utilities, it was chosen as an important instrument of national policy and was richly endowed. We are not criticising that policy or the quantum of that endowment. What we are saying is that beyond the usual public utility criteria of rate base, rate of return, net return on investment, and user costs, this corporate entity has an historical background that Parliament, in its wisdom, in 1880 said, are saying to make you different: we are going to give you 49 million acres of land in this country, and money, and we are going to give you tax freedom." However, that did not stop in 1885 and this is the part that is above the public utility factor to which I have no answer. I am saying that you men, as members of Parliament, fortunately or unfortunately, now have to look at this problem and ask was there a contract, was it fulfilled, was Mr. Crump right?

Mr. REID: Dealing with Section 315 of the Railroad Act, I noticed that you quoted an exchange with the assistant commissioner, Mr. Griffin, with respect to what is an adequate demand whereby the railway would be obliged to provide the necessary service. Has the province of Manitoba a definition of what is adequate in this case, or should it be left to the Board of Transport Commissioners or to a parliamentary commission like this?

Mr. MAURO: I do not have a definition on behalf of the province of Manitoba. I know that I will not accept effective demand as postulated by the Canadian Pacific Railway. I find it novel and interesting that we are now sort of confronted with a definition which in effect seems to be a demand which is adequate both as to numbers and price, if that is effective demand. I would say that there have been very few periods of time, historically, that passenger rail services necessarily met their variable costs.

Mr. REID: Would you say that the CPR's definition of the effective demand seems to beg the question?

Mr. MAURO: The Chairman has kindly given me the key words in the terms of reference of the effective demand for passenger service. The effective demand is the criteria upon which the present program and future plans for passenger rail service must be assessed. Effective demand is a demand for a service at prices which meet the cost of providing that service. I definitely would agree with you that it begs the question before this committee and before the board. The board, as I tried to indicate, is not to determine whether this railway can provide the service at cost because section 315 must have surely meant that they had to provide service, even if it was not returning its cost, if there was a public need.

Mr. REID: I do not want to get into a discussion of costs with you because I think that is a quicksand area. I would like to pose one more question concerning the Board of Transport commissioners and the type of board which the province of Manitoba recommended some time ago as you mentioned. We have heard the argument all along in our hearings that the Board of Transport commissioners is too closely identified with the CPR and perhaps even with the railroad industry in general. I have also heard this argument with respect to the other boards that the government has set up from time to time to regulate the particular transportation agencies.

Would you say that the kind of board you envisage would be a defence against this type of intellectual trap or intellectual conviction, and that by combining all the functions of regulatory boards into one big board, this danger would be avoided? In other words, would you get a more impartial view from the outside, so to speak, bearing on these problems, instead of a view which is conditioned over a period of years to think only in terms of say air transport or railway transport?

Mr. MAURO: I do not know, Mr. Reid. First of all, I know that those of us who have appeared frequently in opposition to rate increases and one thing and another, if you happen to meet a judgment that does not agree with your position, you have a tendency to say that someone is rail oriented or non-rail oriented. My good friends in the Canadian Pacific can pick out plenty of judgments which would lead them to the conclusion that the Board of Transport commissioners is Manitoba oriented or Alberta oriented. These are just the murmurings of dissatisfied lawyers who are frequently on the wrong side of the case.

I do not think that is in fact the case. However, I think there is a development in Canada that seems to be a little unfortunate in that the adversaries are the transportation company and invariably the provinces or the shippers on the higher level—and I do not use "higher" in any preferable level—but in the major cases it has always been the provinces versus the railways, and the Board of Transport commissioners sort of sat in as an umpire and weighed this problem. On the other hand, you will notice that in the United States the I.C.C. staff itself is fighting the carrier or the applicant saying, "We disagree with your figures; we are going to force you to prove this; we are going to do this and that."

I think there has to be more of an involvement in the Board of Transport commissioners. If I may be so bold as to suggest some development or evolution, I believe that the board has to become more involved in the administration of this act. This is not the board's fault alone; they do not have the staff. If Bill C-120, as it was during the MacPherson Commission Report, is reintroduced, and if the board is not given the proper costing staff, it is going to be a ridiculous situation in this country because it is critical that there be a cost finding section in that board, advising them in dealing with these sophisticated methods of computer costing.

Mr. REID: Would you say that the Board of Transport commissioners in this case is limited a) by its staff, or b) by the legislation under which it must operate?

Mr. MAURO: I believe it is limited, a) by its staff, and b) by its history. I think the act is adequate, but if you go back and start to read some of the decisions with regard to unjust discrimination you tend to be confronted with these past decisions with the board sort of perpetuating a precedent. Now, it is not wrong in our system of *stare decisis* in law to have precedent because you then know what the law is. However, in transportation this is a dynamic and organic subject which is critical to this country, and a decision of the board in 1920 is no longer necessarily applicable to a situation where the western provinces or the maritimes are developing an industrial complex. Therefore, it is not sufficient to look and say, "well, we had this type of case before us, Mr. Mauro, in 1920 and a very learned board came to this decision."

I think there should be a flexibility both of thinking and stature that permits the board to say today that it is not keeping with national policy that a shipper in Winnipeg should pay more to ship to the Toronto market than a shipper from Vancouver under the fiction of the Panama Canal, and similarly that a shipper in Manitoba should not pay more to ship to Vancouver than a shipper in Toronto. But this is happening and the board seems to say, "Well, under the act and the decisions, as long as there is a competitive reason for this, Mr. Mauro, you have no basis for relief". Now, I say that if that is the law, the law is an ass; I think it was Mr. Justice Denis who said this. I say that the board has this right, and we have seen this sort of evolution of being a captive of its own decisions to a very great extent.

Mr. REID: The known opinion is that because the provinces, at a very early date, took a very forceful attitude, they completely forced the board into the position of an umpire. The decision was left on a political basis and I think the board, by its tradition, has been forced into this rather unhealthy situation.

Mr. MAURO: I can only deal with the maritimes and the west. Quebec and Ontario have not been very active, in this respect although they are getting a little more active now with tolls on seaways and things like that. It depends on whose office is getting worried.

Mr. REID: You are on a touchy subject.

Mr. MAURO: Yes. But Ontario and Quebec, for the first time, appeared on the MacPherson Commission and made a very real contribution. However, this is going to start to affect them because they have longhaul passage now too with the development of the northern and eastern regions of Quebec and certainly the eastern section of Ontario.

Mr. CARON: On page 20 of your brief you say:

This obligation in perpetuity was made even solemn by the matching exemption of the company's railway property from taxation in the Northwest Territories, also in perpetuity.

Does that include also the services that the cities are giving to the company?

Mr. MAURO: The act exempted the entire main line of the CPR from all taxation. We are the only province in Canada that have had our sovereignty, in the area of taxation, so restricted. At the time of the CPR act Manitoba was a postage stamp province with about 11,000 square miles in area, and the Dominion government could not restrict the taxation within the postage stamp province because we were already a province. However, when they extended the borders of Manitoba, the restriction written right into the Boundary Extension Act was that it was subject to Section 16 of the Canadian Pacific Act of 1881 which is the section that says it will forever be exempt from taxation. When they brought Saskatchewan and Alberta into Confederation by the acts of 1905, they too were restricted. Therefore, the main line of the CPR, throughout the prairie provinces, has been forever free of taxation by municipalities. Now, in fairness to the CPR, let me say that they have entered into agreements with various municipalities as to grants in lieu of taxes, but by law they are free.

Mr. CARON: By law they are free of services which are furnished by the municipalities?

Mr. MAURO: This is my understanding of the law.

Mr. CARON: Has this been clarified by the Supreme Court of Canada?

Mr. MAURO: Many lawyers have done very well by fighting the CPR's tax exemptions.

Mr. CARON: But did it go up to the Supreme Court?

Mr. MAURO: It went up to the Supreme Court. Comparatively recently the province of Saskatchewan took it up again, and it has been to the Privy Council a couple of times, and this restriction was always maintained.

Mr. CARON: Even for the services furnished by the municipalities?

Mr. MAURO: Mr. Caron, you are talking of local improvements?

Mr. CARON: Well, I am referring to all services which are furnished by the municipalities.

Mr. MAURO: Well, to my knowledge, it is absolutely free of that: it pays no taxes.

Mr. CARON: And it has been placed in front of the Supreme Court of Canada?

Mr. MAURO: Yes.

Mr. CARON: And it was accepted as being so?

Mr. MAURO: Yes.

Mr. CARON: Thank you.

Mr. MAURO: I might say, Mr. Caron, that I will review that and, if I am in error, I will let you know.

Mr. FAWCETT: Mr. Chairman and Mr. Mauro, first I would like to commend you on hitting on something that I think is very important, and that is the costs attributed to the "Dominion". Mr. Chairman and Mr. Reid covered my other questions, so I am only going to have one question. I will start by saying that I am not in disagreement that the cost accounting methods of the CPR are not proper methods for an organization such as the CPR. However, would you agree that in this cost accounting the costs attributed to the Dominion under this system—I think you answered this question, but I would like the answer again—are not logical costs in relation to the saving to the CPR by elimination of the "Dominion"?

Mr. MAURO: There is no question about it, Mr. Fawcett. I think the board itself says that here you have the startling situation where the CPR was alleging \$20 million and the board comes back and says \$9 million; the CPR was alleging a deficit of some \$9 million and the board said \$3 million. The correct figures are: The CPR said the cost was: \$20 million the board said it was \$6 million; the CPR said the deficit was \$9.6 million, and the board found it was \$3 million. This was without giving us any figures, and the board saying, "We did not get any figures with respect to the cost of providing head end traffic on other trains and merchandising services." However, they still reduce it to a third. So all I can say is that the board must have decided that the CPR methods were—

Mr. FAWCETT: I am just going to conclude, Mr. Mauro, by saying that I suggested something like this to Mr. Sinclair and I think the records will show that he disagreed with me, that it was not a logical accounting of the savings.

Mr. MAURO: I have found, over a period of ten years, that the only time I worry is when Mr. Sinclair agrees with me.

Mr. OLSON: Mr. Morrow, I think that you have provided us with a great deal of the information in a cohesive way which will be useful to the committee. Then you go on to make a couple of recommendations: first of all, that board order 119542 be set aside. The result of setting that order aside would be to reinstate the Dominion, with its full consist, from Montreal to Vancouver and return. Would this be what you are asking for on a 12 month basis?

Mr. MAURO: I think in the context of what we are faced with, the only way that I could approach it was that the order be rescinded. I think that if the CPR has a case to make for a lesser train and a shorter distance, that that case should be made. I do not think that there should be a saw off. In other words, my position now is that this order should be rescinded. The effect of rescinding that order is to put the "Dominion" back on. Now it goes back on only in full summer consist at a given date because, as you know, Mr. Olson, it was operating as a Toonerville Trolley from September to June, and then it went onto a real passenger train only for those summer months in the last year of operation. This is the train that I was prepared to have go back on for the summer.

Mr. OLSON: Now, Mr. Mauro, you suggest that a public inquiry be conducted into the requirements of passenger services in Canada. This, of course, I am sure you realize, would take some time. Would you recommend that there be a freeze on the present passenger service in Canada to include the "Dominion"

until such time as this public inquiry has completed its findings and made recommendations to parliament?

Mr. MAURO: I would. Again I am referring to the "Dominion" as it was operated by the CPR, and I would think that it would go onto a full summer consist during the summer months and to a lesser train in the winter months. However, I would think that this study should not have to be unnecessarily long; in other words, I do not think it would be a study comparable to the export grain study. I think we now have the techniques and the people available. Relatively speaking, the data is available, and I would hope that a study such as this might be conducted in a relatively short period of time and a report perhaps forthcoming within a period of season over the year.

Mr. OLSON: Do you mean, Mr. Mauro, that you would suggest that a series of steps, or a number of inquiries or examinations should be undertaken that could perhaps be made concurrently? First of all, you suggest that we need a thorough analysis of costs; that we need to examine and define the C.P.R.'s obligations under the statute; we need to perhaps interpret in some other way the provisions of some of the sections of the Railway Act. When I say that, I am speaking of some of the contentions and even the decisions which have been handed down by the Board of Transport Commissioners. I think you also suggest that we need to set up an over-all transport authority. Now there are at least four or five separate things that need to be attended to. Would you care to advance an opinion on the order in which these matters ought to be done?

Mr. MAURO: Well, many of them, Mr. Olson, will be dealt with if and when the new railway bill is introduced. The matter of the board operation, rate control, unjust discrimination, and the matter of an over-all transportation agency, if at all, one would assume might make its appearance in that bill which we understand is in preparation. There has been talk by the Minister that it might be presented to Parliament during the current session. Therefore, I am only left with having to determine the priority relative to passenger services as such. I would say that the order of priority there would be to get the "Dominion" back onto its summer schedule and summer consist, and then set up a committee to investigate. This committee itself would do its independent cost analysis, which it would need for assessing the costs as compared to the public interest. Then the next step entering into the report of this committee would be the basic requirements for passenger travel in Canada. There may be alternatives; someone has suggested that perhaps the C.N.R. should be given exclusive rights to passenger services in Canada.

Mr. OLSON: I would like to ask a question which is twofold. First of all, there is priority and the time factor involved in there. The other thing I am interested in is whether or not we can wait for this kind of a study to deal with the immediate problems respecting passenger service. I want to say too, perhaps before you answer, that this committee is charged with the responsibility of examining the requirements of passenger service on the C.P.R. which is somewhat broader than the "Dominion" but includes the "Dominion". Then the position of the province of Manitoba is that we could not wait for all of these other things to be done; we should have the "Dominion" reinstated or re-established before these things are done.

Mr. MAURO: I would say, Mr. Olson, that the view would be to reinstate the "Dominion" service because we are not satisfied with the evidence and the decision of the board in light of that evidence.

Mr. OLSON: In addition to that, if you are not satisfied with the costing—I think you used the word "misdirected" in saying that the board misdirected itself in a number of cases— notwithstanding that, you are convinced that there is in fact a demand for this service.

Mr. MAURO: I do not know that any province has become involved in a real passenger case where it would have had the experience of costing and benchmarks with respect to what number of passengers are indicis of utilization factors. You may know that in the regional air set up in the United States they have a "use it or lose it" approach to regional air services, and I think they provide that a number such as five people a day must use a run, otherwise they will lose the service. I know of no study that has indicated a benchmark figure against which you could look at and say, "Well, that is a sufficient number of people to warrant a service." I am sure there are people in the field that could look at relative numbers in the United States and Canada, comparing those to population movement, road facility and auxiliary facilities in Canada,—and that is not a difficult study,—and say, "In our opinion, at this level a demand is there". This is an effective demand dealing with numbers, not with price, and therefore something could be concluded. I wish I were in a position to say that I have a reference that makes me come to that conclusion. I did feel that the numbers that were before the Board, that is 15,000 people in a month moving between these given points, east and west, seemed to me to be a substantial number of people. Similarly, when they tell me they can go by motor bus or by air, and I look at the inter-city ratios by air and bus between those points—and I think they were referring to Saskatchewan,—I see that there are no more statistics given in the judgment.

Mr. OLSON: That is very useful information, but I am really not asking you for documentive proof that there is this demand. However, you have been led to believe, or your opinion is that there is a demand for this service and perhaps while you are answering that you might consider an answer to this question too. Do you think the demand for railway passenger service, say, starting in 1965 and projecting it into the future, is increasing or decreasing.

Mr. MAURO: I think it is increasing. I think the revenue per passenger mile is increasing. We do have some data in that connection.

Mr. OLSON: Is it available now?

● (12.20 p.m.)

Mr. MAURO: It is not in such a form that I want to present it now. But, we have drafts, so the answer to your question is in the affirmative.

Mr. OLSON: Mr. Mauro, I do not want to get into these costs because they are pretty involved and I think you have it pretty well documented, so far as your opinion of some of the deficiencies in the method and so on are concerned.

I would like to ask you this question. Had the CPR used this regression analysis and all the other methods that they use in allocating costs and applied these costs to all of their trains, do you think that the costs that came out would have exceeded the actual total?

Mr. MAURO: I just do not want to answer Mr. Olson. It is an awfully good question, Mr. Olson. You know why I am so reluctant to answer it; it is because I

have spent a fair amount of my time cross-examining CPR cost witnesses on multiple regression analysis. I do not know if it would add up. I had some real doubts in the case of the grain study as to the mental gymnastics of this numbers game in the passenger area. I think Mr. Nepveu's costs, though, were restricted to what we might call out of pocket costs. There was no allocation of constant or fixed costs. He did regress a couple of cost categories. My associate reminds me that roads maintenance was one of them, and you know what I have to say about that regression with regard to road maintenance. I do not know what would happen if you did a complete costing, attempted to reconcile it with total costs in the system and used the same rules applicable here as against it; but, assuming that these are largely straight out of pocket costs they should be within a certain realm of accuracy.

Mr. OLSON: If you used these methods as opposed to savings and transferred it within the company would you agree that the last train would be a rather expensive one?

Mr. MAURO: Even Mr. Nepveu would say that this was not a costing of actual savings but only costing of two different factors.

Mr. OLSON: Just one more question, Mr. Mauro, on this matter of a national transport authority—you do not have to call it that but you know what I mean—which you are recommending, would you include within the jurisdiction of this authority some power to issue directives and to consider highway traffic, travel?

Mr. MAURO: I want to make clear that the province of Manitoba recommended an advisory council and not an authority because I now hear murmurings that the government is considering the possibility of an authority, and that would take a great deal more thought, which we have not applied to the problem. If you were to ask me whether there should be an over-all transportation authority in Canada, administering all of the acts pertaining to movement, commodities, or people in the "Dominion" I would have to beg leave to not answer that because it would be a fantastic animal that you would have created there, you know, to handle every single agency of transportation. I was looking, at the time that we made our submission to the MacPherson commission, more to some continuing body that was studying and advising on transportation problems rather than hearing applications for a pipe line or hearing an application for commissioners and their regulatory function with the railway would continue to exist in the Maritime Commission or in the Air Transport Board.

Mr. OLSON: You would have this as an advisory body to advise the government in so far as policy is concerned?

Mr. MAURO: Yes, on a continuing basis rather than, as I indicated, these needs for royal commissions every number of years.

Mr. OLSON: Has the province of Manitoba considered whether or not they would be willing to surrender some of their jurisdiction respecting highway traffic to this authority?

Mr. MAURO: They have not considered this, to my knowledge.

Mr. BOULANGER: First, as you will notice, I am a Canadian, french speaking, from Quebec, and if I do not put my question right to you, like I sometimes

do, ask me to repeat it again. I do not want to bother to touch upon the legal and finance aspects so much; by nature I am more inclined to ask you questions on the human side of it. Mention was made of the argument used by the I.C.C. on that, and right at the beginning of your brief you said, "They must resent it immediately". Do you not agree that, first of all by taking away the "Dominion" service—and it may go further than that later on—the first class of people who will suffer more right now will be the pensioner, the aged and the working class of people in general instead of the industrial, the businessmen, the professionals, who can use air transport and things like that.

Mr. MAURO: It is hard to distinguish, Mr. Boulanger, the specific category of people. I would say for example, if we are doing it on a strict cost basis, that perhaps the bus, as an alternative method of transportation, would be just as inexpensive, would cost no more and, perhaps, less than a movement by rail. So, if I am asked to approach it strictly from the pensioner and the low income group, in fairness to the railroad, I would have to say that there is perhaps an alternative at the same cost level. But I cannot look at it—I wish I could—and say that it is the working man or the pensioner. What I do say is that whoever that man is who has been using the "Dominion" he could not be stripped of his right to go by rail if he would like to go by rail, and the cost incidental is not so fantastic as to make it ridiculous, because the people of Canada cannot be expected to meet that kind of cost—nor should the railway be asked to meet an exorbitant loss figure. But I think there are a number of elderly people, working people who use the rail but I do not know that that in itself would be a reason for keeping it because there are alternative means.

Mr. BOULANGER: The reason I asked you that is because many labour associations have complained about that.

I want to talk about the tourist aspect of this. I am quite surprised that you do not mention in your brief the main purpose of this train because the tourist aspect is so important. You take now in '67, I am known in this committee as a public relations man for Expo. Do you not agree that the CNR, for that one reason, should have the decency to keep it on until 1968?

Mr. MAURO: I could not agree with you more. I think it is an incredible thing that is happening, when we are facing Expo in Montreal and the Pan American games in Winnipeg.

I just wanted to make sure that if there was anyone going to Expo that they would come back west to Winnipeg on the "Dominion" to the Pan American games. I may have underplayed the tour business in my brief, and perhaps enough that you noted it. On the tour business, it is amazing to me that the CPR takes the approach that a lot of these people who use the "Dominion" are tourists and they are just not going to let them get on their trains any more, when we are following a policy, nationally and provincially, of trying to attract people into the country and we have an agency of government—I use the word "agency" in the sense that it is an instrument of national policy—a very critical agency of national policy, saying, "We do not want to advertise in the United States any more; we will accept no tour passengers; we want nothing to do with them."

Mr. BOULANGER: If you accept what I am going to say, first, that the tourists who will come from Europe to see Expo will want to see Canada from coast to

coast, would you not agree with me that this would be the main means of transportation they would want to use in order to really see our country?

Mr. MAURO: I could definitely state, and I have no statistics to back it up, that tourists coming from Europe and the United States on a tour of Canada would choose rail as opposed to air as their means of transportation.

Mr. BOULANGER: Then you will agree with us then, that with millions of people coming out here the CPR, aside from the human side of it, stands to lose a fortune during that year.

Mr. MAURO: No I cannot say: I wish I could say it but, unfortunately, my good friend, Mr. Sinclair, will be reading the transcript and I would hear from him. If, as the CPR says, with every passenger they carry they are losing a little money, then if they carry a million they are losing a million times a little money. I am saying, though, that again we get back to meeting the demand and if Expo '67 and the Pan American Games, in addition to the regular traffic, is going to create a marked increase in demand then they have an obligation to help meet that demand.

Mr. BOULANGER: You definitely stated that the basis of all the privileges and power given to the CPR was to provide national unity and expansion. Of course, I do not want to stress the extremists side of it, but it is important for the eastern people, especially Quebec. The CPR should co-operate with the country by letting us have a chance to go from coast to coast by a cheaper way or an easier means. In order to save all the legal discussion and all the bookkeeping, do you not think that a strong approach should be made by our board in this connection to help us solve our transportation problems during Expo '67, which is the biggest show that Canada will ever stage for the world? Do you not think that argument should be strongly put?

Mr. MAURO: I am suggesting that, among other arguments, Mr. Boulanger, and that the Dominion be put back on—and in the interim a study be conducted.

Mr. BELL (*Saint John-Albert*): We are very pleased to hear the experiences of witnesses here today. We hope, if we need you again, you might be available, although I appreciate, if there is any truth in rumours in the press, it might be in a different capacity.

An interesting point was brought up yesterday by a witness in Brandon. He said that when there was a great deal of movement of passenger trains in and out of Brandon the bus lines competed with each one of these movements but the minute the train service diminished then the bus competition fell off. I am wondering what conclusion you come to in that respect. Does this mean that once there is no longer competition of this nature then the convenience to the passenger falls off? If this happened, could we also conclude that the people of Brandon could be able to make their way in some other form of transportation?

Mr. MAURO: I think, Mr. Bell, that the conclusion is valid. There might be other conclusions that one could draw from that observation but I think that is a valid one, that a competitive milieu usually provides better service for everyone. I think we see this with C.P.A. competing with Air Canada. This, in my opinion has created a healthier situation for the travelling public of Canada. We have noted that when there was an Air Canada flight competing with a C.P.A. flight, there was always a little better deal than you got on the flight

which left 40 minutes or an hour before. I think that competition is healthy in that area. Whether or not the Brandon people can get around otherwise draws out that same approach that the board took with which I sincerely disagree, that you interpret section 315 to mean that if they have some other way of getting from Portage la Prairie or Brandon to Winnipeg that they have no need of the "Dominion". I say it should have been the reverse order, if they had been using the "Dominion" they should not have to prove that there is any other means available. So, to my mind, rightly or wrongly, that type of approach would beg the comment, I think, that Brandon and that area has indicated a real use of the "Dominion" during the full year that it was operated. And I think, interestingly enough, and worthy of note was that it had more carryings between Brandon and Moose Jaw than there was between Montreal and Ottawa. Yet, the Montreal-Ottawa service is maintained and there were no larger carryings in between those points in that area.

Mr. BELL (*Saint John-Albert*): I will pass on to one other point. On page 12 of the full C.P.R. presentation they said that they made a strong effort to use the "Dominion" fully with new cars and the like in the 1950's and any downgrading that took place was only after a real effort, and it only resulted after this serious passenger drop. Now, do you agree that there was not any downgrading of the "Dominion" until the CPR had given a fair trial to the "Dominion" with its full complement before their reduction to the small—consist?

Mr. MAURO: I do not know how to answer that question, Mr. Bell. I find it hard to sort of understand the point that they are making on page 12 of their major submission. The C.N.R. has indicated what you can do if you merchandise your product and price it right. So far as downgrading, there was a period of time when there was different equipment on the "Dominion" than on the "Canadian". It was distinguished as between their premium train and less than premium item, but I can not quite follow the rationality of the C.P.R. on this topic dealing with the fifties because I think that subsequent to the fifties has come this real experiment starting in the Maritimes with the C.N., and even the C.P.R. when they went into a pricing policy increased markedly their passenger carryings. I say that since the fifties an increasing rail passenger demand has been evident. I do not know when they downgraded it. I am sorry I am not meeting your question Mr. Bell.

Mr. BELL (*Saint John-Albert*): I meant is it unfair to criticize the CPR to the extent many are doing in the west and insofar as the downgrading of the "Dominion" is concerned. I am not suggesting that you have been so much so in your brief but we heard a great many complaints that the "Dominion" was deliberately downgraded by the CPR, I am wondering if they did not give it a fair trial at full complement, and any downgrading only resulted after this serious passenger drop in the late 1950's.

Mr. MAURO: I personally do believe that they have deliberately downgraded the "Dominion". But having said that, what I have said is that they, as a policy, have determined to put the "Dominion" down to a very second rate operation, and that is what it was; you cannot tell me, when a train goes from Winnipeg to Vancouver, with no sleepers and nothing more than a hook and pull of a couple of cars, that is not downgrading; it is obviously policy to do that. The CPR, I think, felt that it could not maintain the "Dominion" at the

prices that it was able to charge; I think that they decided that they were going to get out of the passenger business, that it was no longer a lucrative area, that there was more money to be made in freight and, "If we can get the Diesels off the passenger, put them on freight and get out of the passenger business we have to make ourselves more dollars." I think they are right. I think if you are looking at it on straight dollars net revenue they are probably right, but I think they say in their own submission, the demand for trans-continental rail passenger service at the fares then in effect declined I think the CPR admits that you can merchandise and sell passenger services but the CPR is not prepared to do that at the price level required, with the effort required considering the returns. They are saying, "We are not going to do it; we do not have to do it and we will not do it because we can make more money hauling freight—let the CN, national carrier, take the passengers, which is the losing section of traffic". If they get away with it, I, as a minority shareholder, am going to reap the benefits, but I, as a Canadian citizen, am deeply concerned about it.

Mr. BELL (*Saint John-Albert*): What would you think the effect would be if the CPR handled only freight and the CN was obligated to provide all the passenger service for Canada? Would the result of this be that the CN might then come to us for further subsidies?

Mr. MAURO: Yes, I would think, Mr. Bell, that that might might be the net effect of that. I do not think that the CPR should be permitted to get out of passenger service just that easy. There should be some quid pro quo attached to that.

Mr. BELL (*Saint John-Albert*): With regard to what we might do in the way of recommendation, what do you think of Mr. Brazier's proposals, the counsel for the government of B.C.? I think it was to the effect, "That we not allow any further discontinuances unless the CPR comes to parliament and requests formally changes in the Railway Act regarding their obligation to the Canadian people."

Mr. MAURO: I do not word it perhaps the same way as Mr. Brazier. I say that this is what I tried to set out in the latter part of my submission relative to the contract. I think that you men are going to have to decide what is a railway because the contract of 1880, ratified by statute in 1881, says, "that they are to thereafter and forever operate, work and maintain the Pacific Railway." Now is a railway a railway if it offers no movement of people? This is my point. At what point does the CPR cease to be a railway as conceived as a railway in 1880 as applicable to the situation we have in 1966. This is a distinction I want to make because we are not suggesting for a moment that it has to operate everything it was operating in 1881 or subsequently.

Mr. BELL (*Saint John-Albert*): Two more questions and then I promise to be quiet this afternoon. Do you think that the proposal, Mr. Mauro, put forward by the locomotive engineers and other would have a chance of practically working. They suggest that there be a study of the obligations under the contract, but that, we declare in the national interest certain minimum rail passenger services as necessary and that we divide the responsibility on an equal basis between both our major railways and then federal subsidies be made available to be administered by some rationalist authority similar to that

which was proposed in the old Bill C-120." Do you think this is really quite a practical way of dealing with our problem?

Mr. MAURO: This would be one type of recommendation that would come under our final suggestions here, where we say there should be an inquiry into the total passenger requirement in Canada, and Manitoba's position has been consistently—and I think it was adopted by almost everybody during the hearings of the MacPherson Commission—that passenger services conducted in the public interest should be subsidized if they are non-compensatory. So that I can answer your question by saying that that procedure was proposed by Manitoba relative to branch lines, and we propose not an authority on passenger services but did say that they should be investigated and if they are in the public interest they should be compensated for out of the public treasury and not be a burden on the freight shipper.

Mr. BELL (*Saint John-Albert*): Would you like to express yourself on subsidies by regions or provinces for various types of local services.

Mr. MAURO: We certainly expressed ourselves in the matter of commuter services. We think that this is a method of surface transport of a metropolitan or municipal basis and any losses experienced on commuter services should be a burden on the local municipality and not on the general—

Mr. BELL (*Saint John-Albert*): In other words, the Brandon to Winnipeg service.

Mr. MAURO: That is not a commuter service, but it could be made one. What I meant by commuter service would be the Toronto-Montreal area where there is an actual commuter service. It is a rapid transit type of service. I think that subsidy and whether it should be paid by the federal, provincial or municipal, are matters that a person should not take a rigid position on. But I would think that here in western Canada we paid our fair share of subsidies to the Canadian Pacific Railway. I think if there is going to be any subsidizing we would like a contribution from some other area. They have done pretty well out here and I think it is time the tin cup was passed around somewhere else.

Mr. BELL (*Saint John-Albert*): I agree with you and I thank you very much.

The CHAIRMAN: Mr. Mauro, arising out of Mr. Bell's questions so far as subsidies are concerned, I understood you to mention that so far as commuter services in the metropolitan areas are concerned, the local municipality should pick up any deficit. Am I right in interpreting your answers that way?

Mr. MAURO: I think that was the position we took before the MacPherson Commission.

The CHAIRMAN: You may have answered my question already, so far as the Province having already given sufficient subsidy to the CPR. What if there was say, a local transportation problem within the province of Manitoba, would; the province of Manitoba be prepared to pick up any deficit in the same manner as you related to us with respect to commuter service, that the municipality would pick it up.

Mr. MAURO: We have a record of doing justice.

● (12.50 p.m.)

Mr. ANDRAS: Mr. Mauro, I think you presented to us the strongest legal argument to establish the legal obligations of the Canadian Pacific Railway under the 1881 agreement. In the course of that argument you also indicated a feeling that as a result of these grants subsidies and so on, to this point, the CPR through its total corporate structure, including CPR, CPA and all the rest of it, had an opportunity to make a substantial return and a profit. On the other hand the Manitoba Government, as I understand, advocates a subsidy, and we have just been talking about it here, on public funds for uneconomic lands. Now I am assuming, of course that the establishment of uneconomic lands would be in terms of acceptable cost analysis and the degree of their loss would be established in acceptable terms as well. Having established so forcefully the obligation of the CPR and their profit opportunities as a result of those grants, is it not a bit of a paradox that some governments say the Federal Government, should then turn around and have to pick up the loss on one departmental operation such as the railway lines. If this were done, for instance, it would be in direct contrast to happens on the Canadian National Railways: although they probably will continue to have losses on passenger service they will have the opportunity and, through them, the taxpayers have the opportunity of picking up and nullifying those losses by revenue from more profitable branches. But what you are suggesting by way of a federal subsidy seems to me in some terms to defeat the very careful argument you presented about the obligation of the CPR.

Mr. MAURO: You cannot reconcile or equate the statement as to public duty necessarily with non-rail assets. If you did and took a blanket position that if the CPR is making money in any one of its corporate endeavours then there will be no subsidy, you are, in effect, confiscating from the shareholders contributed capital over the years because there are reserves of income surpluses that really were the money of the shareholders of past years contributed to the company. It was never our intention that you would say to the CPR, whether a service is in the public interest or not, "If it is in the public interest you can not look to us for any help; you take it out of your corporate financial structure" without any compromise in that position. It would be an impossible position for the CPR. You obviously have set up a method whereby the regulatory agency has been authorized to look at applications for discontinuance or abandonment and if deemed advisable, to seek its withdrawal. I agree that if it were a small item and the Board of Transport Commissioners came to the conclusion that it was in the public interest to maintain it, the CPR does not necessarily have to be compensated for it.

Mr. ANDRAS: It is a question of degree.

Mr. MAURO: It is indeed, and the passenger service one—and we had some figures before the MacPherson Commission—was of such a degree that you could not, it seems to me, in fairness say to CPR, "You will continue the passenger services as they presently exist and you will not obtain any subsidy; you will take it out of your general revenues." Because they were in the scale of some many million dollars.

Mr. ANDRAS: Then you say leave the non-rail operations out of consideration of this decision for subsidy and deal with the rail operation, the balance on one side of it versus the loss on the other. What you are saying essentially is to leave the non-rail operations out of it.

Mr. MAURO: I wish I could answer yes or no to that, Mr. Andras, but it is just one of those situations that you can not simplify by saying, "Leave the non-rail assets out of this discussion and let us just deal with passengers." I say that in fact you do have to now consider what are the mutual obligations to the government of Canada and the CPR relative to that contract of 1881. In that consideration you might come to the point of saying, "It is our opinion that you will continue the Canadian as a minimal, basic transportation of people in Canada with no subsidy, so whatever losses there are on the Canadian, Mr. CPR, you meet that out of your corporate profits one way or another." But we say, "The public requires an additional service called the Dominion. Now, Mr. CPR, we feel that under the contract of 1880 it was not presumed that you should be forced to have two Trans Continental passenger services regardless of the losses. So, whereas your shareholders are going to be meeting the losses on the Canadian because we feel that to be a basic element, we will contribute to the losses relative to the Dominion." Now that is an approach that is reconcilable with what I have been saying about reconsidering the contract and the corporate identity of the CPR, that you would look at this thing and say that this is an area where we think that your corporate profits should be called in before the public treasury should be tapped; this is an area where your corporate profits should not be exposed; this is an area where the public should meet the expense.

Mr. ANDRAS: If you felt this way then, would some approach on the basis of a total return on total rail operation investment be the quick way of getting at it—

Mr. MAURO: No.

Mr. ANDRAS:—rather than take it as the Dominion analysis, the Canadian analysis and so on.

Mr. MAURO: I am only smiling because my good friend, Paul Nepveu, is back there looking at me and just waiting for me to say something further. On this question of the method of calculating what the CPR should be permitted to earn, we have had cases on rate based rate of return, the requirements formula has been established applicable to the CPR by the Board of Transport Commissioners, and I think what we were attempting to say to the McPherson Commission was, that in determining the requirements to be received from freight in that case—and I would say it now of passengers—that one should perhaps look at more than the net income from rail services so classified that one can look to these other assets and say that while we are not necessarily transferring them, you can continue to maintain these non-rail assets for the sake of fixing your operation as a rail company and, in effect, we are going to make an allocation of part of this income.

Mr. ANDRAS: In other words, we will keep in mind the total opportunity they have in making the deal?

Mr. MAURO: Yes.

Mr. ANDRAS: Thank you Mr. Mauro.

The CHAIRMAN: I find it is ten minutes to one. There are still a number of matters that should be discussed before we adjourn. I am sure from the list of questioners that I have here that Mr. Mauro will be with us for some time.

However, we do have a brief that is before us from the Transportation Communication Employees Union; the delegation presenting this brief has to leave Winnipeg no later than 4:00 p.m. I had intended to call the city of Winnipeg and the town of Kenora after the province's brief. But I will, as soon as the questioning of Mr. Mauro is completed in order to allow these gentlemen to catch their transportation, call the Transportation Communication Employees Union, and then the city of Winnipeg and the corporation of the town of Kenora.

It is my intention, as I said earlier, to adjourn at 1:00 p.m. and reconvene at 2:00 p.m. I think that due to the length of briefs that are here and the importance of some of them, that we should take just one hour. The city of St. James was to present a brief and I am informed by the clerk that Mr. J. S. Hannock Q.C., Counsel for the city of St. James, advises that the city is endorsing the brief of the province of Manitoba, and that it will be presented by the city of Winnipeg, so no brief and no representation will be made by this corporation. So that is on the record, Mr. Hannock.

Mr. OLSON: Before we adjourn, could we have a brief discussion about whether we are going to meet this evening or tomorrow.

The CHAIRMAN: I would think, Mr. Olson, that this committee will be sitting this afternoon and this evening in order to complete the briefs. Tomorrow it will be impossible because transportation out of Winnipeg tomorrow for Fort William is at 11:30 and I can not see how the committee can possibly sit tomorrow. The committee will sit today and this evening until all the briefs are heard.

Mr. BELL (*Saint John-Albert*): So far as I am concerned, I think we should try and meet the convenience of the people who are presenting the briefs to a certain extent, and if some of them find it difficult to stay here tonight in Winnipeg, I do not mind working late into the supper hour.

The CHAIRMAN: Well I would like some indication. We know that from out-of-town we have the corporation of the town of Kenora and the Brotherhood of Railroad Trainmen, Locomotive Engineers or Locomotive Firemen from Kenora, and these gentlemen can indicate what time they have made arrangements for transportation or whether they can be here this afternoon or this evening. We would hope to have them this afternoon and, if not, it will be this evening. When we have completed the Province's brief, we shall call the Transportation Communication Employees Union; the City of Winnipeg will be third, and the Winnipeg Chamber of Commerce will be fourth.

Mr. REID: We have the city after the corporation of the town of Kenora and then the Kenora representative from the Firemen. After all, they are from out of town and it would be an additional expenditure if—

The CHAIRMAN: Mr. Reid, you heard my question just now. The gentleman advised me that their transportation leaves tomorrow morning and they are prepared to be here this afternoon.

Mr. REID: Yes sir, but with all due respect, it would be an additional expense to them to stay over and I think that since other people are from the town here, it would be less onerous on them.

The CHAIRMAN: They arranged to stay over, Mr. Reid. This is the indication I have. Is it correct that you are leaving tomorrow, whether we hear you earlier or later?

Mr. REID: It was conditional, Mr. Chairman.

The CHAIRMAN: In those circumstances then, Mr. Reid, your point is well taken. Then the order will be the province of Manitoba, the Transportation Communication Employees, the city of Winnipeg, the corporation of the town of Kenora, the Brotherhood of Railroad Trainmen from Kenora, and we will play it by ear from thereon.

Mr. BELL: (*Saint John-Albert*): My own personal thought on it is that if it is preferable to work into the supper hour and then come back tomorrow morning for some of the local briefs—

The CHAIRMAN: It is impossible Mr. Bell.

Mr. BELL (*Saint-John-Albert*): Could we not sit from 9 to 11 tomorrow morning.

The CHAIRMAN: It is quite impossible, Mr. Bell.

Mr. ROCK: Mr. Chairman, Mr. Bell mentioned through the supper hour; by that I believe he means that instead of taking one or one and a half hour for dinner we can sit through it and possibly finish earlier and go for dinner at 9. Is that what you were getting at?

The CHAIRMAN: I am not arguing with that, Mr. Rock. Mr. Bell was stating we should sit tomorrow morning; I am saying that we will complete all briefs this evening because we have to, and if it is necessary to sit through the supper hour we shall sit through the supper hour. But these briefs will be completed this evening, no matter how late it is.

Mr. SHERMAN: I would just like to say that the city of Winnipeg and the Winnipeg Chamber of Commerce expressed interest in entertaining the members of the committee at some point of the day, either luncheon or in the dinner hour. But because of the pressure of business and the number of briefs to be presented I think it would be in the interest of those who wish to appear before the committee for the committee itself to forego that invitation and plan to eat on a rather rush schedule.

The CHAIRMAN: Yes, Mr. Sherman. It had been indicated by the acting mayor that the city would have liked to host us for lunch or for dinner but under the circumstances and the pressure of hearing the briefs I advised that we were not able to accept this invitation. We want to thank the city for the very kind invitation and we do appreciate their very kind offer of hospitality. I think it would be wise to adjourn now. Lunch will be downstairs in the Legislative Building.

AFTERNOON SITTING

● (2.00 p.m.)

The VICE-CHAIRMAN: I see a quorum, and I will leave the floor to Mr. Jim Byrne.

Mr. BYRNE: Thank you Mr. Chairman. Mr. Mauro, I want to congratulate you on the excellence of your brief and to say that perhaps the only comparable

ones were those presented for the other side by, I believe, Mr. Sinclair and Mr. Crump or Mr. Emerson and Mr. Crump perhaps it was Mr. Sinclair to whom you seem to have quite a high regard. Now, outside your brief, I believe, you compared the number of passengers carried on the Montreal-Ottawa service to the number carried on the Winnipeg-Moose Jaw service and vice versa. You said that the Montreal-Ottawa service was not curtailed while the service between Moose Jaw and Winnipeg was. The Montreal-Ottawa service is a regional service it is something that is not connected with the Trans Continental service. It is servicing a high density area. Do you think you would have an equally strong argument for the retention of a regional service, say, between Winnipeg and Moose Jaw or Winnipeg, Kenora and Moose Jaw, serving a fairly high density region. Would that not be a better comparison?

Mr. MAURO: It might be. The example I used by way of statistic, and it appears in Appendix 1, was the Montreal-Ottawa run, with a figure of 43,595. For Brandon-Moose Jaw the figure was 43,861. There seemed to be a pretty constant flow in the Brandon-Moose Jaw run because there was 43,861 west bound, and 45,895 eastbound. The Ottawa-Montreal run is very low eastbound; it is only 26,000 compared to 43,000 westbound. So, there is sort of an equal flow east and west in the prairies region while it seems to be weighted on this particular run the other way. I think you can make a case, answering specifically your question for perhaps the regional approach. It is hard on the statistics available. We have the full year of 1964 that was presented and outside of those two conductor runs, Montreal-Ottawa and Moose Jaw-Brandon, the flow seems to be about 35,000 passenger carryings on the conductor segments. I would say that on a time basis, and this might be a weak criteria, I do think that this region of the Lakehead, say, to Regina or beyond, is a fairly integrated region.

Mr. BYRNE: This is contrary to some evidence which we received, I believe, in Moose Jaw yesterday, which was to the effect that setting up this type of regional service tends to separate us rather than draw us together. Do you think that we can set up regional services in addition to a Continental service without harming us in this way?

Mr. MAURO: Yes, I would hope so because we certainly are following that type of an approach in our air transportation, with the idea that you have your regional carrier feeding your trunk system at terminal point. Now I do not know whether you could make a strict application of a regional rail policy like you could of a regional air policy but I do not think that you are going to do violence to binding the nation if you set up a regional train services.

Mr. BYRNE: It is conceivable then that some of the objections are rather emotional in that we equate the Dominion with Continental service without attempting to try to find a regional service that would be adequate.

Mr. MAURO: Yes.

Mr. BYRNE: Now I am not too sure that comparing Canada with the United States is a too helpful comparison. However, you devote page 15 and 16 of your brief pretty well to this question of and abandonment of services in the United States. Now you use the specific application for abandonment—that is, the Southern Pacific travelling between Portland, Oregon and Oakland, California. I suppose this of course, would be considered even a higher density area than Montreal-Toronto?

Mr. MAURO: I would not know that that would be a higher density than Montreal-Toronto but it would also be comparable in increase of other types of ancillary services. That is why I think that the analogy is not parallel, and it was not advanced as a parallel analogy on population; it was advanced as an analogy to indicate what the ICC did with someone who underpromoted its service, that criticized the railway for underpromoting it, and it was one of the reasons for not allowing the abandonment. But I would venture to say that the number of air flights between these points in California, as I indicated in the case of Southern Pacific's application on the abandonment of the Lark—there were 600 flights a week from San Francisco to Los Angeles, so that while the population incidence would be much greater, it would also be a greater incidence of competition from freeways and so on.

Mr. BYRNE: It would indicate then a higher density.

Mr. MAURO: Oh yes, indeed; even if not the one that is in my brief, your point would be absolutely accurate in the case of the other one that I submitted this morning.

Mr. BYRNE: Then it cannot be an absolute comparison to prepare this with our Trans Continental.

Mr. MAURO: No sir. First of all, this is not Trans Continental so the comparison was not intended in the connection; it was merely intended to show a difference in the attitude of the ICC compared to the Board of Transport Commissioners to the underpromotion and to the statements of the people that they wanted to continue.

Mr. BYRNE: Do you by any chance have any information on the number, if any, of Trans Continental services, as we know them: here in Canada, in the United States.

Mr. MAURO: I do not think there is any railway in the United States that runs Trans continentally.

Mr. BYRNE: Do they combine or what?

Mr. MAURO: The break point is normally Chicago. One of the statement was you could come into Chicago but you could not pass through Chicago. There are a number of lines running from Chicago east and Chicago west but that, I think—I am subject to correction on this— would be the farthest that any line ran. I know there is no throughway but there are number of railways running from Chicago to the coast.

Mr. BYRNE: What facilities do we have in Winnipeg today?

Mr. MAURO: We have three trains Trans Continentally; two, as I understand, are the Canadian National and one CPR.

Mr. BYRNE: One page 4 of your brief you say, "The Canadian Pacific indicated that subsequent to the abandonment of the Dominion it would no longer make available suitable accommodation for tour party traffic largely originating in the United States. "Of course you know better than I do that the so-called reason for application for abandonment of the Dominion was loss; that is deficits.

Mr. MAURO: Certainly.

Mr. BYRNE: And, as you said, they have shown when the CPR increases the number of passengers, so long as the deficit continues, they compound the deficit by doing this. At least, up to the point where they have not overcome the operating costs.

Mr. MAURO: I did not say that they did. Mr. Boulanger asked, "Would not the CPR be losing millions if it has not this train running in 1967?" My reply was that in fairness to the CPR if they were losing on each passenger carried then to carry a million passengers would be to lose a million times a little bit.

Mr. BYRNE: If we can take their statement of loss per operating day at face value, do you feel, do you suggest bearing in mind the 1880 agreement that they are required under the act to carry passengers from outside of Canada? They have made the agreement with the Canadian government and not with the American government.

Mr. MAURO: This portion of the brief of course is not dealing with the contract at all; it is dealing with the law of Canada under Section 315 of the Railway Act, and I am very strongly suggesting that the Railway Act makes no distinction between a person who happens to have started his trip in the United States and then presents himself for carriage in Canada, and the native born Canadian owning citizenship papers. It says that the Canadian Railways under the Railway Act will in fact furnish at the place of starting, at the junction of the railway with other railways, and at all stopping places establish for such purpose adequate and suitable accommodation for the receiving and loading of all traffic offered for carriage upon the railway, and that the decided decisions of the Supreme Court of Canada accepted by the board of transport Commissioners is that the very purpose of Section 315 was enacted for the protection of the interests of the general public who require the services of the carriers, they were not enacted for the benefit of the railway or the employees.

Mr. BYRNE: I agree with you 100 per cent on that reference but at the same time can it be fairly said that the CPR should continue to advertise these services in the United States unless they see a possibility of operating at a profit.

Mr. MAURO: I see no requirement for the CPR to advertise for loss business. But it has not yet been proven, and the experience of the Canadian National is indicating a rather interesting trend upward on revenue per passenger mile and net passengers. Now, as I say, there has been no study so all of us speak from certain hypothetical situations.

Mr. BYRNE: It has been said that national railway will lose something like \$40 million this year. I have nothing in black and white to substantiate that statement, but I believe it was said by the Canadian Pacific witnesses in Ottawa. I have not heard it denied.

● (2.15 p.m.)

Mr. MAURO: I would venture to say at this point in time a proper costing of the Canadian National passenger services would indicate a deficit. The magnitude of that deficit is conjecture.

Mr. BYRNE: I just have a few more questions. You, I understand, Mr. Mauro, appeared before the MacPherson Commission, and you have heard and read, of course, at that time the submission by the Canadian Pacific Railway?

Mr. MAURO: Yes.

Mr. BYRNE: Would you say that there is no question that the Board of Transport Commissioners has determined that their cost accounting in respect of the Dominion was considerably out of line?

Mr. MAURO: Yes.

Mr. BYRNE: Would you say that their cost accounting in respect of other aspects of their services were even approaching his divergence—that is, the freight services and so on? How could they go so far wrong on one and not the other, and still give us a true submission?

Mr. MAURO: They are not being consistent. They have been wrong both times that I have had occasion to take note. They consistently tend to exaggerate their costs when it is better for the case. That is good business, I guess.

Mr. BYRNE: Did the CNR make a submission at this point?

Mr. MAURO: Both railways made an exhaustive submission relative to the export grain. You may recall that so far as the CPR's report to the MacPherson Commission was concerned, there was no other evil in Canada but the Crowsnest Pass rates, and if that could be removed we would enter a new era of prosperity and joy. And, when the Western Provinces said, "Let us, if we are looking at deficits, look at some other deficits; we want to see your passenger deficits", then they came forward and submitted some numbers. We never did do a costing on passengers. They submitted some numbers and the MacPherson Commission determined on that basis.

Mr. BYRNE: This is a difficult question to answer, but what losses would you say would be acceptable—what percentage of losses in respect of passenger service. The CPR says that they need only provide service if there is effective demand. Of course, we can not go to the extreme, one passenger does not make sense.

Mr. MAURO: That is, I think, a very valid question. Mr. Byrne, and I only wish that I could give a simple answer. I do not know. I think that we have to establish in this area, as we hope to establish in the branch line rationalization area, some overall statistical base where you can say that now this is an effective demand by way of numbers, and must be met. That is, the number of people that require service.

Mr. BYRNE: That is right. Now, this is a very important question with respect of the attitude of the Government of the Province of Manitoba. Yesterday a witness—I believe he was a Mayor of one of the cities of Saskatchewan—said in respect of competing services that the Greyhound or whatever bus service was operating there had deliberately set their schedules to coincide on a parallel line with the "Dominion", and when the "Dominion" was taken off then their service was taken off. Would the Province of Manitoba agree that should a regional service, a high-speed transit service, be provided across the prairies, that there should be some method of franchising that service on the rail and accept at the same time a rate schedule, bearing in mind that there may not be quite enough traffic?

Mr. MAURO: You mean that you would set up a method of limiting the competition in surface transportation?

Mr. BYRNE: It is done in the provinces, internally, by public utilities commissions.

Mr. MAURO: Well, you do it by way of carrier. There are regulations on the number of buses, regulations by air, but I did not quite get the question.

Mr. BYRNE: Well this is just exactly what I mean. Would it be practical to give a franchise to a rail operation, whether it was CPR, CNR or someone else running on those lines. Would it be practical to protect that franchise, as is done by public utilities commissions in the province?

Mr. MAURO: Well, I would assume that the very purpose of the hearings before the Board is to determine public convenience and necessity, which is the usual question before a Public Utilities Commission on a franchise case. In effect, what the Board of Transport Commissioners has said here is that the public convenience and necessity is far outweighed by the cost; therefore, you can discontinue. Now I do not know that we need any other procedure for the franchising of passenger operations.

Mr. BYRNE: Was that simply because they were not carrying sufficient passengers to pay, that someone else was carrying the passengers on the Trans Canada Highway.

Mr. MAURO: What would this public utilities approach do? Would it limit the number of buses?

Mr. BYRNE: I am asking you if it could limit or protect the franchise.

Mr. MAURO: I would never agree to a situation where one mode of transportation was gauged on another mode of transportation. In other words, I would resist any attempt to determine aircraft licencing of a public convenience necessity on the basis of the number of buses that were running between Winnipeg and Brandon. I think that each mode of carriage, and I think rail is a mode of carriage, should be considered on its own merit.

Mr. O'KEEFE: Mr. Mauro, first of all, may I congratulate you sir: your submission was very thorough. Most of the questions I had in mind already have been answered. I was particularly interested in what Mr. Boulanger suggested, especially in view of the fact that I come from one of the new lands, the one that made Canada really a country from coast to coast.

Would you advise this committee whether or not we should accept the figures of the MacPherson Commission—and I am referring to the costs analysts, I believe you called them, regression analysts, or should we begin a completely new investigation with the resulting large costs to the taxpayer?

Mr. MAURO: The only thing that I would say on that, Mr. O'Keefe, is that to my knowledge the MacPherson Commission performed no costing on passenger services. The only real cost finding before the MacPherson Commission was relative to the cost of moving grain to export positions, and this is where the econometritions and the cost analysts went to work. As I recall, the MacPherson Commission received certain data from the railways; there was very little investigation, and certainly none of the provinces, to my knowledge, did any real work on the passenger services. There may have been some in: I do not want to speak as if I can recall everything that went in because I think there were 25,000 pages of evidence. But the costing relative to passenger services

would not, in my opinion, be adequate—that is, what was before the MacPherson Commission.

Mr. O'KEEFE: So in effect, your advice would be that we should set up a new investigation.

Mr. MAURO: I think, in the final analysis, it might be worthwhile, Mr. O'Keefe, to take a look at this thing, if it is tied up with a purpose. I mean if it is just simply to test certain costs, that may be an interesting exercise; but I would hope that any intensive cost investigation would be tied into an overall enquiry into the needs of the Canadian nation, coupled with the cost to provide. It is one thing to say that we would like the Dominion, but one has to equate that with what will it cost to provide this kind of service and can the Canadian people afford to meet that kind of cost.

Mr. O'KEEFE: Thank you Mr. Mauro. Mr. Chairman, I realize, of course, that that is a decision for the committee to make, but I just wanted to get this gentleman's advice, because he is obviously an expert.

Mr. SOUTHAM: Thank you, Mr. Chairman. You might be interested to know that my questions will not take up too much time because several of them have already been covered, particularly by the topic introduced by my friend, Mr. Sherman, dealing with cost accounting techniques used by the CPR.

I was pleased to note that Mr. Mauro was definitely in favour of an independent cost accounting analysis group being established, preferably to working in conjunction with some overall rationalization or advisory group, to act in a capacity as a continual advisor to the Federal Government. I would like to ask Mr. Mauro, would he care to advise the committee how the personnel of this body should be constituted or where you would get the qualified people to make up this committee. Would you suggest possibly taking one or two members from the Board of Transport Commissioners, the Air Transport Board, the Maritime Commission, the Seaway Authority, and Provincial Transport Boards and so on?

Mr. MAURO: No. I would hope that this Board would in fact, have a regional makeup and that it would not be an attempt to have a sort of co-ordinating committee made up of representatives of all the Boards because I think that would be a meaningless exercise. I think the more that we see of transportation in Canada we realize that there are some unique problems for the regions of this country, and I think the regions are easily distinguishable. I think that the Maritimes have unique problems that have to be met on the basis of their specific problems. I think Quebec now with its expanding industry in the north has unique problems. I think Ontario with its waterway and its tremendous depth of population and products has specific problems, certainly the prairie region and, again, British Columbia. So I had hoped that this advisory council would be made up of people representing, in broad outlook, the transportation problem of that region so that he would not be oriented toward the Board of Transport Commissioners or the Air Transport Board. I would hope that he would be a Maritimer or a Quebec person, who said: "I do not know how you do it, but I know this is the problem we are facing; we were hearing in the Maritimes that you were going to extend port facilities in Quebec and this is going to have ramifications for us in St. John's and Halifax." Similarly, the same

would be true of the fellow out in the prairies in talking about intermediate rates, and so on.

Mr. SOUTHAM: I agree with you, Mr. Mauro, except that this question has been posed indirectly and in conversation. I was just wondering how we were going to attack it, and I thought from your knowledge, of which you have given evidence here today at this hearing, that you must have given it some thought. It is going to take some pretty qualified people, and I was just wondering from what field we would draw them. This clears this question in my mind.

Mr. MAURO: I do not think that the men that you appoint to the advisory council—and I am distinguishing that from the staff—have to be experts in transportation. As a matter of fact, I would veer away from experts in transportation. Someone has defined an expert as a man who knows a lot about a little thing, and he eventually finds out so much about so little that he knows everything about nothing. I would rather see a person with a broad outlook sitting on the Council. But then you would have to staff it, and that is where your question comes in.

Mr. SOUTHAM: Now, I have another question. You referred to the fact that the C.P.R. was richly endowed under the Act of Incorporation of 1881, which I think we all agree with, more specifically the \$25,000,000.00 cash subsidy and the 25,000,000 acres. You made a reference to it on page 25, that this 25,000,000 acres had greatly increased in the intervening years, and this is a fact. With the right-of-ways and certain rail lines that were added to it, it amounts to, in your words, some 49,000,000 acres. Now, in this cost accounting and the advice that you have had, have you ever tried to ascertain what this total amount of land would be worth at present day values? This would be an astronomical figure, but I think it has a bearing on the overall picture of just how rich this corporation is. Have you ever had any figures on what this present day, 1966, value would be?

Mr. MAURO: No. It would be very difficult because there is oil on some of this acreage, for instance. Can you imagine the value of the C.P.R. oil lands in Saskatchewan and Alberta? Consider the Crowsnest Pass Agreement, which gave them, I think, about \$11,000,000.00 and I forget how many acres of land through the South Kooteney areas and made it available to them. There has been the suggestion that that either directly or indirectly resulted in the Consolidated Mining and Smelting combine, which I see in their latest report is a very nice little figure: "Cost of investment in Consolidated Mining and Smelting \$22,000,000.00; 1965 market value \$419,000,000.00."

Mr. SOUTHAM: This is the point; I think we have been referring to the static value of these figures instead of what the present value is. This would be something that a cost accounting group or so-called expert advisers likely would go into, when we do set them up.

Mr. MAURO: I do not think, frankly, you could set a value because there were land transfers and land sales. I think the fact is that what the C.P.R. is today, it owes to Canada in that contract and I mean that seriously. I do not care what mental gymnastics you perform by saying: "well we sold it to the homesteaders; we did this and we did that". Directly or indirectly, the C.P.R. today is a multi-multi-million dollar corporation, and it owes everything that it has to this country including the start that it got.

Mr. SOUTHAM: That is the extent of my questions. Thank you, Mr. Mauro.

Mr. PASCOE: Mr. Chairman, the questions I had are pretty well answered now. I was going to deal with the social and economic effects this curtailed passenger service had on the communities. But I think my questions will be answered just as well when the City of Winnipeg brief comes up. So, I will skip for now, provided I get some kind of priority on that list.

Mr. OLSON: Mr. Mauro, I only have two questions here. I should have finished the last time, except we have a kind of a gentlemen's agreement that we only go for so many minutes at a time.

In paragraph 6 of your brief you had a number of quotations, quoting the Chief Commissioner of the Board of Transport Commissioners, Justice Locke and so on. I think the gist of these quotations is that there is an overriding requirement for service and that public convenience and so on are the overriding considerations. Now, I presume that this is your opinion and of the Government of Manitoba, although you do not say so. But it is clearly your opinion that this is a first consideration; costs and all these other things come second.

Mr. MAURO: Yes.

Mr. OLSON: Then on this requirement for service, so far as this committee and the Parliament of Canada are concerned, who are responsible for the Railway Act and the Board of Transport Commission, we must consider this requirement for service first, in your opinion, second, the costs, and then the CPR's obligation, and so on, in that order.

Mr. MAURO: That is right. Public convenience and necessity come first. I find it hard to sort of say, "public convenience and necessity, while coming first, has to be considered in the light of costs". I mean there is no more justification for isolating public convenience and necessity and say that we will refuse to look at costs any more than to take the approach of the CPR and say, "Here is our balance sheet; do not look at anything else."

Mr. OLSON: That is exactly what I was getting at. So far as you are concerned then, as representatives of the Canadian people at the Federal level, we should be looking at this in relation to costs, as the overriding factor rather than the corporate well-being of the company.

Mr. MAURO: That is right.

Mr. OLSON: Now, when we were in Vancouver, Mr. Brazier, the Counsel for British Columbia, suggested that insofar as the 1880 agreement and the Statute of 1881 and so on are concerned, what is written there means what it says, that it is a contract, and that any withdrawal from what is in that contract must in future be done by mutual consent. Now this contract was between the people of Canada or the Government of Canada and the Railway. Do you subscribe to this, that any withdrawal from this contract should be with the consent of the Parliament of Canada and not necessarily with the consent of the Board of Transport Commissioners.

Mr. MAURO: I not only agree, I would fight strenuously any suggestion that the Board of Transport Commissioners has any right to vary in any way the terms of that agreement, just as we have fought any attempt by the Board of

Transport Commissioners to vary the terms of the Crowsnest Pass Agreement. That is part of our Bill of Rights out here, and this contract is a contract with the people of Canada, through their trustees, the Members of Parliament.

Mr. OLSON: One other question I want to ask you in that same vein concerns this difficulty and the differences in interpretation of what is in the contract. Do you believe that this committee should undertake to give a definitive interpretation of that contract in terms of 1966 requirements?

Mr. MAURO: We are appealing, as you know, Mr. Olson, under section 53 to the Governor General in Council. You will not be surprised to know that the material that I will be submitting on behalf of the province of Manitoba in that petition is largely the material I presented to you gentlemen here today. I did that because I felt that these are both on the same level in the level of policy, you, as a committee of parliament, the Governor General in Council as the advisor to Her Majesty, the Queen, in Right of Canada. We are suggesting to the Governor General in Council that they must interpret this contract and must determine what are the rights of the people of Canada in 1966 relative to that agreement of 1880.

Mr. OLSON: I asked you that question because there has been some suggestion that perhaps the Supreme Court of Canada is the only body competent to give an interpretation.

Mr. MAURO: I do not believe that they are competent at all in this area of what the agreement was meant to do relative to specific services. The Supreme Court of Canada, a legal body, would be competent to determine whether a contract exists and what the contract says on its face, but when you get to questions like "to thereafter and forever efficiently maintain, operate and work the Pacific Railway", and someone says, "Well, does this mean one transcontinental train or two transcontinental trains", I think you get back to the parties who entered into the agreement. You have to say, "Now, what does that mean today?" You and I know that it does not mean that they were forced to run every train that they ever ran. That would be beyond all realm of national thinking. But it does have to have application today, and the only two people who can do that are the contracting parties. And it was done. This is not something new. The Crowsnest Pass Agreement was revised in 1925, and you may recall that there had been rates given for settlers' effects east—they were supposed to be reduced rates—and the CPR went to the Government of Canada and under a little negotiation they removed that from the operation of the Act and, in turn, they also changed the Act to include for export grain all points then and to become existent on the CPR track in western Canada. So we have precedent for renegotiating or reconsidering a contract.

Mr. OLSON: There is a little difficulty here because I suppose you would agree that in the ordinary process of administering and applying the law that in the legal interpretation of a contract, even the statutes of Canada, the Members of Parliament or committees of Members of Parliament do not interpret but write it. But when it comes to the practical application of it, this is referred to the courts. Of course, the Statute of 1881 falls in this category because it is a Statute of Canada. So I am interested in your opinion whether this is a special case, and that it should not be interpreted in the ordinary way that statutes are interpreted when they are being applied.

Mr. MAURO: I do not think we can because I think a court is somewhat limited in the questions that it can sensibly answer. It cannot answer what was in the minds of the people at the time. It can say "yes, there is a contract; yes, it is binding; you must operate a railway; yes, you received certain things, and there was valuable consideration". But the questions that concern me as a Canadian are not those questions, but whether or not what the CPR is now intending to do is in conformance with that, and I am looking to the fellow who entered into the contract on my behalf (the Government of Canada) and saying, "I want you to determine whether they are keeping up with it and, if not, you have the authority, Mr. Government of Canada, to take action to see that they do."

Mr. OLSON: Do you think we should revise the Statute of 1881 in terms of 1966 requirements?

Mr. MAURO: I cannot answer that question.

Mr. ANDRAS: Just one final question, which is important to me, if not to anybody else. I am not an apologist for the CPR in any way, Mr. Mauro, but in listening to this very important discussion this morning it seems to me that in some way this makes the case for some things the CPR has said, because throughout our hearings with CPR management, to my memory, they made a point that where a rail passenger service was non-economic but considered to be in the public interest then there should be public subsidy. This is to imply that they would not resist the continuation of a passenger service that was non-economic if it were so recognized. Your argument about the validity or the importance of the legal obligations then would not be an important matter if they are willing to accept this concept themselves. So, to go to the heart of the matter, all that is required in this case, to satisfy everybody, assuming that there is a need, is a government subsidy for the non-economic line.

Mr. MAURO: In our discussion this morning, Mr. Andras, you and I tried to make each other understood, but I said that the application of the 1880 contract, in this context, would be in trying to determine—the Canadian Government—whether, for example, all that was contemplated under the spirit and letter of the 1880 contract would, for example, be the operation of the "Canadian"; and that if the "Canadian" was costing the CPR "X" million dollars a year deficit that they would have to realize that from the profits of the corporation because of the contract of 1880, and they owed that minimal service to the people of Canada without subsidy. And, it might turn to the "Dominion" aspect and say that since this is above the minimal requirement under our concept of the spirit of the contract of 1880 we will contribute to your operation of ancillary and additional passenger services. Now let me explain. I tried to say that this morning. That is the context in which I say that you have to review the contract of 1880 vis-à-vis passenger services. The Government of Canada has to establish what was meant by operating the railway. Does a railway include, necessarily in that concept, the operation of a minimal passenger service? If you answer that in the affirmative, what is that minimal passenger service? If it is the "Canadian", then you say, "Look to us for no subsidy on the "Canadian", but we are going to require you to keep running the "Canadian" until we change our mind that it is no longer necessary; but you will run the "Canadian" and any deficit will be met out of your corporate profits."

Mr. ANDRAS: Anything above that?

Mr. MAURO: Yes, but the Canadian Government could just as easily come to the conclusion that both the "Canadian" and the "Dominion" are essential minimal services and will not pay any subsidy because that was required under the contract of 1880.

Mr. ANDRAS: What is gnawing at me is the question of what the degree of basis—

Mr. MAURO: I think it is a question that no one has an answer for. You know people who entered into that contract are going to have to sit down, get the best advice they can, and try and arrive at a meaningful interpretation of the contract relative to 1966 and our transportation need.

Mr. ANDRAS: That is going to be a question of negotiation rather than interpretation.

Mr. MAURO: That is exactly why I said to Mr. Olson that I do not think it is a question for the Supreme Court.

Mr. ROCK: A very short question, Mr. Chairman. I had my hand up before, and I do not know whether or not you recognized me.

Mr. Mauro, this Committee has travelled from Vancouver to here on the train, not successfully all the way through. However, we have done this for the purpose of gaining experience; otherwise I think that the Canadian public would highly criticize us for not doing that. I would like to know from you, when was the last time that you travelled on the train?

Mr. MAURO: The last time I could get a reservation, is a more meaningful question. I am serious about that because, as I indicated to you this morning, I think there is an area in which the train is particularly effective. I gave up when you could not get reservations on the overnight to Fort William, and similarly westbound. I believe it was in the fall that I went east on the "Canadian", CPR, I intend to use rail again but not the CPR; I will use the CNR the next time because—

● (2.45 p.m.)

Mr. ROCK: Can you tell me how often the Manitoba government booked passage on the railway compared to that on the airways?

Mr. MAURO: I have no idea; I would venture to say that we use the airways a great deal more than the railways.

The VICE-CHAIRMAN: As this is the end of the questions, Mr. Mauro, we would like to thank you very much for your brief. The next brief will be from the Transportation and Communication Employees' Union, and I would call upon Mr. R. B. Copeland, Assistant General Chairman.

We have only three or four briefs but we will pass them around so that all members will be able to peruse it.

This is Mr. R. B. Copeland, Assistant General Chairman of the Transportation and Communication Employees' Unions. Would you start to read your brief?

Mr. R. B. COPELAND (*Assistant General Chairman, Transportation and Communication Employees' Union*): Mr. Chairman, members of the Committee and those other people who are presenting briefs, I would like to thank you first

for giving me the opportunity to present mine at this time. I am in the unfortunate position that I have to travel east later today.

In the matter of the discontinuance by Canadian Pacific Railway Company of the transcontinental passenger train, the Dominion, gentlemen, at the outset I wish to express my sincere gratitude to the members of the Committee for having given me the opportunity to appear before you today with respect to passenger service or lack thereof being provided to the Canadian public by the Canadian Pacific Railway Company. For the record, let me say that as Assistant General Chairman for the Transportation and Communications Employees' Union, this brief is presented to you on behalf of train dispatchers, station agents, operators and telecommunication department employees of the aforementioned company.

In that a comprehensive brief has been presented to you on behalf of the vast majority of Canadian Pacific employees by the Canadian Railway Labour Executives Association, no useful purpose will be served by my repeating the contents thereof at this time. Suffice it to say that we concur wholeheartedly with their submission in every respect. However, we would like to place certain specific information before you for your consideration which is not contributing to an efficient railway operation.

As you are undoubtedly aware, no major improvements have been devised or introduced over a long number of years with respect to the handling of rail space reservations, nor is there any indication that Canadian Pacific is making any real effort to solve this problem. This is in contrast to policy presently being pursued by the management of the Canadian National. In this connection, a recent report appearing in the Lethbridge *Herald* under date of April 27 reads in part as follows:

Traffic specialists of the CNR armed with a room-sized computer are reported hot on the trail of a solution to the biggest headache in the railway passenger business, reservations; but reliable informants at the CNR are predicting the publicly-owned railway will have a computer-run reservation system in operation by the end of the year.

Rather than genuinely attempting to solve the problem, action on the part of Canadian Pacific has made it even more difficult to secure tickets and necessary reservations. For instance, I am informed that it is not possible to secure tickets or sleeping car reservations in such cities as Brandon, Regina, Moose Jaw, Swift Current or Medicine Hat after 5.30 p.m. since such offices are closed. It should be noted that the Canadian travels through many of these centres during the hours of darkness. We believe that the necessity for rail passenger service and the utilization of same cannot be properly assessed without a study of the actual rate structure of Canadian Pacific compared to competitive modes of travel; hence the following rates are being quoted herein indicating fares from Winnipeg to five of the major centres in western Canada.

Mr. Chairman, would you like me to read these rates; they are fairly lengthy.

The VICE-CHAIRMAN: No; I think they could be appended.

Mr. SHERMAN: I move that these rates be taken as read and have them printed in the proceedings.

Mr. CANTELON: I second the motion.

Motion agreed to.

Mr. COPELAND: Thank you very much.

A brief perusal of the above rates will indicate that Canadian Pacific no longer maintains a competitive position in many instances. It should be noted, too, that tourist fares are no longer offered by the CPR and that existing fares where sleeping car accommodation is included will be increased as of June 1, 1966.

In spite of the apparent effort to discourage passenger traffic to thereby justify the removal or discontinuance of passenger train operation, I am advised there still remains a considerable volume of traffic offering. In essence, there is nothing wrong with the potential of passenger train operation that progressive railway management policies would not correct.

The Canadian National Railways has termed itself, in one of its advertising slogans, as being, "The railway which likes passengers." While it has not been specifically stated as such, it is becoming increasingly evident that the Canadian Pacific has no great liking for passengers.

Other actions on the part of Canadian Pacific have also contributed to a decrease in the number of passengers handled. For example, station outlets are being close at an increasing rate and local contact with the general public is being eliminated. However, it should be noted that the elimination of services referred to herein has received the sanction of the Board of Transport Commissioners. Thus, one cannot but wonder whether or not the Board, as presently constituted, is properly safeguarding the welfare of Canadian citizens. Fortunately, the Government of Canada has full authority to correct the present unsatisfactory situation, and I trust that your Committee will make an appropriate recommendation in this regard.

I submit we are dealing with a soul-less corporate giant, one which evidences little or no genuine sympathy for the citizens of Canada. Having adopted such policies, they have shown themselves being particularly adept at the use of misleading misnomers. For example, the Canadian Pacific passenger rate structure is referred to as the "fare-saver plan", and the recent mass closure of stations in southern Alberta is referred to as the "expanded customer service plan".

Much evidence has been presented to your Committee with respect to the obligations of Canadian Pacific to the citizens of Canada as related to the vast financial and land grants made to them. The provision of adequate passenger train service is an integral part of a railway operation and we submit that an efficient service cannot be provided without the same.

The establishment of Canadian Pacific by the citizens of Canada created a goose which has laid many golden eggs, some of which have proven to be of a highly lucrative nature. Having accumulated a sufficient number of golden eggs, the CPR management appears to have determined that the time is right to dispose of the goose. We sincerely trust that the Government of Canada will not permit such a travesty of justice to be perpetrated upon the Canadian public.

In summary, the relationship between the CPR and the citizens of Canada might well be compared to a marital relationship, together with its attendant privileges and obligations. In the instant case, no agreement has been reached with respect to dissolution of the relationship nor has any separation been agreed upon; rather, it would appear to be an obvious case of desertion on the part of the railway, and it is our sincere hope that your Committee might be instrumental in instituting reconciliatory proceedings with a resultant restoration of adequate passenger service. All of which is respectfully submitted, Mr. Chairman.

Mr. CARTER: Are you employed with the CPR at the present time?

Mr. COPELAND: Not at the present time, no; I was.

Mr. CARTER: You have been?

Mr. COPELAND: Yes, from 1944 until two years ago, now I am working for the organization.

Mr. CARTER: In what capacity were you employed with the CPR? You are presenting a brief on behalf of the dispatchers, agents, operators and so forth. Were you in one of these categories?

Mr. COPELAND: Yes; most recently I was a station agent.

Mr. CARTER: When we were in Brandon yesterday and this problem has been described to us all along the line as we travelled west—we were told about the difficulty of getting reservations. I notice that you start out and devote the first two or three pages of your brief to this problem. We have been told that a person at Brandon, who wants to travel on the CPR applies to his local agent in Brandon. He cannot get any satisfaction and he might be perhaps two or three weeks before he can find out whether or not he can get a reservation. But if he can phone the station here in Winnipeg, they can tell him practically right away whether or not he can get a reservation. Now, can you throw any light on why that happens?

Mr. COPELAND: Well, I would say that what you have said is essentially correct. The procedure for a man in Brandon, for example, as you say, is that he would contact the station there; they would then send a telegram to Winnipeg and await a reply. Two or three weeks delay is somewhat exaggerated but it could conceivably be two or three days. In many instances it would not take that long. However, it would depend too whether Winnipeg had the space to offer immediately; they, in turn, might have to contact Toronto or Vancouver, depending on which way the individual is travelling.

Mr. CARTER: Do you think that what we have been told has been exaggerated? Is that what I am to infer from your evidence?

Mr. COPELAND: Well, if you said two or three weeks, I would say there is some exaggeration there, yes.

Mr. CARTER: Why would not the agent in Brandon—he has a direct line to Winnipeg—contact the station there? Why could he not be informed of what space is available just as quickly as an individual making a private telephone call?

Mr. COPELAND: Well, unfortunately he would not have any means of speaking directly to the reservations people in Winnipeg.

Mr. CARTER: You mean the agents at Brandon could not speak to the reservations people here?

Mr. COPELAND: That is correct; not unless he phoned long distance, or something of this nature.

Mr. CARTER: I get the impression from your brief that you consider this as a sort of a deliberate policy on the part of the CPR to discourage passenger travel?

Mr. COPELAND: Yes, I do.

The VICE-CHAIRMAN: Mr. O'KEEFE.

Mr. O'KEEFE: Mr. Copeland, I quote from page 5:

I submit that we are dealing with a soul-less corporate giant, one which evidences little or no genuine sympathy for the citizens of Canada.

Would you advocate nationalization of the CPR? The whole shebang is the colourful milieu, as suggested yesterday.

Mr. COPELAND: I would think that would be a last resort, but it could possibly become necessary.

Mr. O'KEEFE: You give a qualified answer?

Mr. COPELAND: Yes. In my view there is no reason why the CPR cannot provide adequate service today as a private enterprise corporation.

Mr. O'KEEFE: In what circumstances would it be a last resort, as you suggest?

Mr. COPELAND: Well, I think, as you are probably aware, there may have been some recommendations made to your Committee that this nationalization should come about. I would think that if we reach a point in time where this service is going to be discontinued, and to a very large degree this has already come about, and if the people of Canada feel that they require this service and Canadian Pacific is not prepared to offer it, then I would think at that time that nationalization should be considered.

Mr. O'KEEFE: Thank you, Mr. Copeland.

The VICE-CHAIRMAN: Mr. Rock, you are next.

Mr. ROCK: Mr. Copeland, did you read the article this morning in the *Globe and Mail* headed:

CNR Unions hold secret parley on crews for proposed jet train

Mr. COPELAND: I have not read the article although I did see the headline.

Mr. ROCK: Would you agree to let me read this into the record, Mr. Chairman, because my questions, all the way through, have been directed in this vein. I feel it explains it better than I did in the past. Then I can ask some questions later.

The CHAIRMAN: It is not the practice of the committee, Mr. Rock. I would prefer to put it in as an appendix to the Committee proceedings. But, you could paraphrase it.

Mr. ROCK: Now, in this article it seems that United Aircraft are devising a faster train. The problem with the CNR and the Union is that the repeater train

between Toronto and Montreal has to stop twice for the purpose of changing the engineer. I call them chauffeurs today because that is what they are rather than engineers; but they call them engineers so they will be referred to as engineers. I believe they want to have an approved agreement in advance before they are going to go into a \$10 million expenditure to purchase this new train. Now, because of this technological breakthrough, do you not feel that unions should look seriously and conscientiously into a possible fade-away agreement, if I can coin a phrase, "by modifying your views and approaches in respect to existing and future labour agreements in order to give the railway companies an incentive to future research and construction of faster trains."

Mr. COPELAND: I must say that I cannot speak for the people that you refer to because I do not represent them, but in general I think that railway labour has evidenced considerable flexibility in this regard. We are very much interested in making the railway an efficient profitable organization, and we will certainly cooperate in that regard.

Mr. ROCK: Do you feel that the flexibility you mention is the type of flexibility these engineers have used; in other words, just in a matter of one hour and forty-five minutes they get off the train and other engineers get on, and they do that twice on a short run of 345 miles?

Mr. COPELAND: Well, here again I must say that I can not speak for those people since I do not represent them.

Mr. ROCK: But I would like to have your personal view because I feel that leaders like yourself should have a personal view.

Mr. COPELAND: However, I think you are probably aware that these people work under agreements which were signed by two parties, so if there is any fault with the agreement then I would say the responsibility lies equally on both sides.

Mr. ROCK: But I would like to know your personal view, whether you feel that there should be a serious study into this matter because of the fact of future developments in this technological age?

Mr. COPELAND: Generally speaking, I would agree with you, yes.

Mr. OLSON: May I ask you one question. You say on page 1, when you deal with this problem of making reservations, and I quote:

Nor is there any indication that the Canadian Pacific is making any real effort to solve this problem.

Now, we have been told repeatedly that one of the great problems of attempting to modernize the reservation system is the variety of accommodation that is available: roomettes, rooms, bedrooms, upper and lower berths, and so on. Do we need all these various types of accommodations for railway passenger service or could it be reduced to three: a berth, a seat, a bedroom, or something like this?

Mr. COPELAND: I find it rather difficult to answer that question. As you know, this is something that has developed over a long period of years, and the public has come to expect these things. But I think I would agree that it would not be impossible to reduce the variety of the types of accommodation.

Mr. BOULANGER: I have just a very short question. This morning I tried to get an answer from Mr. Mauro and I used the word, "class", when putting my question. I probably should have referred to those in the lower brackets of income and that would include office clerks as well as labour people and so on. Do you not think that these people I have referred to would seek the opportunity of seeing this great country of ours if they were not deprived from doing so because of the high cost of fares, as a result of which only the business, professional or industrial people can do so. Would you not agree that the CPR is primarily hurting these lower income people by its actions.

Mr. COPELAND: Yes, I certainly would.

Mr. BOULANGER: As you know, there are many complaints about these privilege passes that are granted. Some employees consider these passes practically part of their income. Could you give us your impression of these passes, and the discontinuance of same?

Mr. COPELAND: I did not mention the pass question because I did not know that it was particularly relevant to the discontinuance of the train; however, I am very pleased that you raised the question. For many, many years railway employees in general did enjoy pass privileges. These were highly valued, and in general this situation no longer exists. For example, in my own particular case, if I wished to travel on the "Canadian", in order to make an advanced reservation, I must pay half fare. The same thing applies if I travel on the Canadian National. Now this did not use to be so. So, basically, you might say that pass privileges no longer—

Mr. CANTELON: I was rather intrigued by the answer you gave to Mr. Carter, that the station agent had to phone for reservations to Winnipeg if you were in Brandon, and you would have to do this, I gather, at your own expense. Is that correct?

Mr. COPELAND: No; I am sorry if I was not clear.

Mr. CANTELON: That was the impression I got.

Mr. COPELAND: He has no direct communication with the reservations office. He can send a telegram to the reservations office, or he could phone on the government phone. However, this is not the practice that is followed, except maybe in the case of an emergency he might do so. But generally speaking, this is a practice that is not followed.

Mr. CANTELON: In other words, he has no direct phone contact with Winnipeg.

Mr. COPELAND: He may have a direct phone contact with Winnipeg but he cannot contact anyone who has any authority with respect to reservations.

Mr. CANTELON: There is no switching then in Winnipeg that enables him to call any department in Winnipeg.

Mr. COPELAND: No.

Mr. CANTELON: This is rather odd for a large business, I would think, especially when that phone is there.

I was under the impression some years ago, and I wonder if this is true today, that these agencies, if we might call them that, get a percentage for the

business that is transacted there. For instance, if they sell a ticket to Europe a percentage goes to the agent for selling it. Is that right or wrong?

Mr. COPELAND: To my knowledge, this has never been true with respect to rail tickets. There is a percentage paid with respect to air lines tickets if they are sold outside of Canada. I am not absolutely certain about steamship tickets. There has been some changes made. I believe that they still get a small commission on steamship tickets.

Mr. CANTELON: You can see why I asked the question. If one is unable to get a reservation in Winnipeg, it might be because Winnipeg wanted to keep that business.

Mr. COPELAND: Yes.

Mr. CANTELON: Evidently there is no such implication in it. There is one other field in which I would like to ask a question or two. I do not know whether or not you care to answer them.

I am very much interested in this matter of technical advances in the operation of trains. Incidentally, Mr. Rock is too. It seems to me that the railway has not kept in advance of the progress that has been taking place in other fields of transportation. For example, in air transportation, we have progressed from the biplane, which was practically made out of paper, to machines now that are like the CC-10 with motors at the back and all the sound behind you, with an enormous increase in speed; yet, this does not seem to have happened on the railway. I wonder if you would agree with me that they have not kept up with these advances. It is a pretty broad question, I know.

Mr. COPELAND: In general I would agree with you, yes. As a matter of fact, I think we have some very good examples of this in the world today. We note that Japan is operating trains at 125 miles and 140 miles per hour.

Mr. CANTELON: This is quite true. Of course, the situation there is very much different because this is almost a commuter train.

Mr. COPELAND: Yes.

Mr. CANTELON: And here we have a transcontinental service. I do know that there are extreme difficulties in the matter of signalling: for example you cannot outrun your signals, and if you run a train at 160 miles an hour across the continent today you certainly would outrun your signals.

Mr. COPELAND: Yes.

Mr. CANTELON: So you would have to have a new system there. However, we do see that the CN is making progress along this line.

Mr. COPELAND: Yes.

Mr. CANTELON: It seems to me that the CP should too. Thank you.

Mr. SHERMAN: Thank you, Mr. Chairman. I have just one or two brief questions to Mr. Copeland. You worked for the Canadian Pacific Railway for twenty years, up to 1964, and then left the CPR to become Assistant General Chairman of the Transportation Communication Employees' Union.

You may have noticed sir, that yesterday in Brandon, Mr. Robert Lane, of the Brotherhood of Railroad Trainmen, dwelt at some length on a disenchant-

ment amongst CPR employees in recent years, disenchantment among those employees with their jobs and with the policies being pursued by the Company at the present time. Mr. Lane made quite a case for the deterioration of morale, degeneration of the *esprit de corps* among CPR employees. Would you subscribe to the views as generally expressed by him in that area.

Mr. COPELAND: Yes, I certainly would.

Mr. SHERMAN: You have found that there has been a general downgrading, degeneration and deterioration of spirit and morale amongst the CPR employees?

Mr. COPELAND: This is very true.

Mr. SHERMAN: Because of the policies being pursued by the Company?

Mr. COPELAND: Yes.

Mr. SHERMAN: Because the employees feel that the Company is letting them down or is letting the general public down?

Mr. COPELAND: I would say both. I think they feel somewhat frustrated. While they would like to see it a growing industry, it seems to be moving in the other direction.

Mr. SHERMAN: And where you may once have felt that you could serve the country and the public as a CPR employee, you have now come to the conclusion that you can better serve the country and the public as a union executive outside the CPR?

Mr. COPELAND: Right.

Mr. CARON: You were talking about the different classes of roomettes and rooms on the train. But there is another thing which they claim costs the company very, very much, the dining car. Would it be possible to have on the trains the same system they have on the planes, with one dinner for everybody they bring it to their place. I think they have such a system, on the trains in Japan.

Mr. COPELAND: I do not see why not.

Mr. CARON: It would be much cheaper and the company would not lose so much, if they had to lose something.

Mr. COPELAND: The cost of eating in dining cars today is prohibitive for the average citizen.

● (3.12 p.m.)

Mr. CARON: In this way one person could serve a whole car at the same time? But, in their dining cars I think they require about seven people to perform the same task.

Mr. FAWCETT: My first question might appear to be a little loaded but I want to get to the bottom of something. I heard you mention agencies being proposed. Do you not feel that some of these agencies should, justifiably, be closed because of the fact that there is not enough actual business, and they are what you may call a profitless enterprise? You would not subscribe to the opinion that these agencies should be kept open period, I presume or would you?

Mr. COPELAND: No, you are quite right; I agree with you wholeheartedly. There are some instances where closure is justified.

Mr. FAWCETT: Well, to get to the other point, I know on the Canadian National, and I think it applies on the CPR, there is a mood toward centralization. Do you think that in some instances centralization is bypassing places where perhaps a little bit of extra advertising could result in an agency being kept open for the convenience of the public. Are you running into that sort of thing?

Mr. COPELAND: Yes; as a matter of fact, I think it is a false approach to the whole subject. For example, I have made reference in the brief to what is taking place in the Lethbridge area. There are towns in that area of 2500 to 3000 population that no longer have a railway representative.

Mr. FAWCETT: Well, that is the only point I wanted to make, Mr. Chairman. I know I have this problem on the CNR. As a Member of Parliament I was just wondering if this problem exists.

The VICE-CHAIRMAN: Mr. MacEwan, you are next.

Mr. MACEWAN: Mr. Copeland, I just wanted to ask, from your personal knowledge, following what Mr. Sherman had to say about morale among the employees of the CPR, have you anything to say so far as the maintenance and repair of equipment, for instance, on the Number One train, The Canadian, is concerned? Have you noticed any downgrading on that?

Mr. COPELAND: With respect to The Canadian I sincerely believe it is providing a good service.

Mr. MACEWAN: And, the equipment is kept up to the usual high standards.

Mr. COPELAND: Generally speaking, this is true, but it certainly was not true with respect to The Dominion.

Mr. MACEWAN: To the best of your knowledge, that was the case?

Mr. COPELAND: Yes. Mind you, if I might just interject, the removal of The Dominion itself has somewhat downgraded the Canadian in that he is now making more stops and is unable to maintain the type of schedule that was maintained prior to that.

Mr. MACEWAN: The reason I asked that is some suggestions were made to us in another centre that the equipment was not up to the usual standards and I just wanted to ask you. Thank you very much.

Mr. ANDRAS: We have heard going all across Canada and prior to the Western Canadian Tour reference to this question of the inefficient reservation system. The Canadian Pacific Railway has run passenger trains for many decades. When traffic was, by their own admission, heavy, was the reservation system, good then? Was the reservation system efficient five years ago or ten years ago?

Mr. COPELAND: To the best of my knowledge, I do not think it has ever changed; advances have been made with respect to other modes of travel whereas the railway reservation system has remained static.

Mr. ANDRAS: Are you saying that the CPR reservation system is no worse or no better than it was before but that other modes of travel have injected better methods of reservations?

Mr. COPELAND: This is correct.

The VICE-CHAIRMAN: If that completes the questioning, on behalf of the City of Winnipeg. It will be presented by Alderman Mark Danzker. Everybody had a copy of his brief.

Mr. MARK DANZKER (*Alderman, City of Winnipeg*): Mr. Chairman and Gentlemen, after having heard the last two representations I expect that mine will not be as difficult as some of the others have been.

Mr. Chairman, gentlemen, may I begin by saying that I am grateful for this opportunity to speak to your committee. When I was in Ottawa recently with a delegation of Western municipal representatives, we requested the Government to have the committee make an on the road survey of passenger train and commuter requirements in our communities serviced by the CPR. Apparently, this is included in the survey made by your committee, and I am encouraged by the consideration given to our request. The Honourable Mr. J. W. Pickersgill, minister of Transport said in Winnipeg recently, "There is no place in Canada in which transport matters quite as much as in Winnipeg." Situated as we are in the geographical centre of the continent transportation is a major factor in our economy, and being hundreds of miles from the nearest big city, passenger transportation is very important to us.

The case of The Dominion, as you know, involved the removal from service of one of the two CPR transcontinental passenger trains, leaving Winnipeg with only one through passenger train going east and one going west per day, to points served by the CPR. Many points of the west cannot be reached by Canadian National lines and the effect of these cases was to cut the passenger service in half.

The decision of the Transport Board has been appealed to the Governor-General by the Provinces and we are awaiting the Government's decision. In our judgement, the Board decided the matter on the wrong basis. The Assistant Chief Commissioner admitted the Board had ignored the social and economic impact on the communities concerned. Also, the CPR's act of incorporation requires it to efficiently maintain and work the railway; and Section 315 of the Railway Act requires it to provide adequate and suitable accommodation for all traffic offered for carriage upon the railway. Also, the definition of "traffic" in the Railway Act includes "passengers". I submit that the word "efficient" used in this legislation means "adequate", to serve the public, not economically efficient as contended by the CPR, and apparently accepted by the Transport Board. The purpose of the act was to provide an adequate service, not to ensure railway profits alone. I submit that what is needed is a national policy on these matters; it should not be left to the Transport Board to decide, on the basis of railway economics, what kind of passenger service, if any, we should have. Railway passenger service is a necessity. Taken alone, according to a statement by a CPR witness, it is not compensatory on any railroad on this continent. But it need not, and it should not be taken alone. The railways make a large profit on the transportation of grain, livestock, automobiles, farm machinery, potash, oil, fruits and vegetables and factory goods. The CPR on its overall operation is

not losing money. The railways are still heavily subsidized by the government, and the CPR in the west is well subsidized by the municipalities who are not allowed any taxes on the main line properties. Winnipeg in a class by itself in this respect, is still subsidizing the company to the extent of one-half of its realty and business taxes.

Another consideration that should not be overlooked is a government subsidy for the CPR of \$25 million and 25 million acres of Crown land given at the time the railway was constructed. The company states that construction costs exceeded the cash grant. This, at least, is to be expected; otherwise, the company could hardly claim any equity in the project. The immense quantity of lands they received, and much of which they still have, included oil and gas lines. They have kept these separate from the railway operation. These lands and mineral rights have acquired a value not contemplated at the time of the grant, and these have become a major source of income. The value of these lands and rights and the revenue therefrom should be included in the assets and revenue of the railway for they are part of the same enterprise.

The argument that there was no effective demand for the Dominion should not be accepted as a fact. The withdrawal of the train was preceded by long, down-grading procedures. People applying for accommodations were turned down and the railway kept no record of the number of requests for services that were denied. Loss of revenue for mail service has also become apparent at this time.

The withdrawal of passenger service affected not only the towns and cities along the line, but also the entire region that depends on these communities, and a depressed condition in the development of any region reacts against the railway by reducing their demand for freight and other services. I notice that this committee is required to report on the effects of the company's program and future plans for passenger service. To answer this I would remind you that the development of Western Canada is due, in large measure, to the railway. If the railway is allowed to withdraw from one of its principal functions, the reverse of this process may well take place. The proposed policy may or may not result in more profits for the company, but it can have nothing but a depressing effect on the development of Western Canada, which development is one of the main purposes for which the railway was established. The Federal Government, being involved in the railway business to the extent that it is, should adopt a comprehensive policy which would ensure, among other things, a maintenance of a reasonable standard of passenger service. This should be supported by subsidy, if necessary; but any subsidy should be based on the overall requirements of the operation of the railway system, and railways must not be allowed to insist that passenger service, by itself, is made compensatory. This is the recommendation that is submitted to the government by the Western delegations that I have referred to, but we urge the Government to develop a national rail transportation policy that would service the public requirements in all of Canada in terms other than the profit and loss statement. In The Dominion Inquiry the railway took the position that railway passenger service was becoming unnecessary. I contend this is not correct. Most people want to travel by train much of the time and many people want to travel by train all of the time, if the service is available. It should be noted that the decision of the Board to discontinue the summer operation of The Dominion was not unani-

mous. The provision of adequate transportation facilities, including passenger transportation by railway, is essential for the proper development of western Canada.

Finally, Mr. Chairman and gentlemen, I submit what I think is a practical solution: Require the CPR to restore the "Dominion" during the tourist season and supplement it with a day liner service during the balance of the year. If this is not possible, then I submit, very reluctantly, an alternative suggestion, that consideration be given to the possibility of arranging for passenger trains of the CNR to run on the CPR lines before service has been reduced or discontinued.

This is respectfully submitted on behalf of the City of Winnipeg.

Mr. PASCOE: First, I want to commend Alderman Danzker on this brief; it is very clearly presented, and is along the lines of what we heard when he was in Ottawa with the delegation.

You referred to this delegation of Western Municipal Representatives, and you say here on your first page, "Passenger transportation is very important to us." Now we have heard that in the hearings we have had so far but there are many points at which we will not be having hearings. Would you say you were speaking pretty well for all the communities when you made that statement, that, "Passenger transportation is very important to us".

Mr. DANZKER: While my purpose here is to represent the City of Winnipeg, I would suggest that it is important to the entire area because, in my experience, I have lived throughout the entire area during the last twenty-five years, and I know the needs throughout the area. I would suggest that the answer to your question is in the affirmative.

Mr. PASCOE: On page two you refer to the social and economic impact on the communities concerned. I have been bringing this point up at most of the hearings. Could you elaborate a little bit and give us specific instances where curtailment of the passenger service has had an adverse effect on the communities?

Mr. DANZKER: It has been and is becoming more and more evident all the time. As an example, take the mail services today in view of what has transpired during the past year. We now find that a great deal of the mail that had been previously coming in by train is now being diverted by irregular bus services, as a result, of which mail services no longer are being adequately serviced. That is one illustration.

Mr. PASCOE: What are the effects on the business part of the city.

Mr. DANZKER: Well in all directions, I would suggest. There are of course many others.

Mr. PASCOE: You also say, "I submit that the word 'efficient' used in this legislation, referring to the Railway Act, means adequate to serve the public" and reference has been made before in the earlier hearing of the province in regard to this appendix 1, listing revenue passengers carried on the "Dominion" It shows in the Western service run into Moose Jaw—it has been referred to before—there were 42,861 revenue passengers carried in 1964. Then in the seven months of 1965, 23,720, which is a little more than half of what is shown for all of 1964, which would indicate that in 1965 the passenger business was still

there. Do you think this number of revenue passengers could be carried on the "Canadian" with the "Dominion" cancelled completely.

Mr. DANZKER: Absolutely not.

Mr. PASCOE: Would you say that this is a good argument for restoration of the "Dominion" or some form of train.

Mr. DANZKER: Yes. It is more than an argument; it is a need.

Mr. PASCOE: These figures are on record so I will not refer to them any more. Also, on page 4 and again on page 5 you refer to a national rail transportation policy. In other places we have heard of a national transportation policy which would include more than rail; it would take in rail, air, buses and water. Would you suggest that there should be one board regulating and co-ordinating all forms of transportation.

Mr. DANZKER: No, I do not think that would work. I think it should be concentrated on this particular subject, which is presently before us.

Mr. PASCOE: You are not advocating one transportation system or body in your brief.

Mr. DANZKER: No, but if I understand the question, the study that I recommended and the recommendations that I propose apply to the railway.

Mr. PASCOE: This question too has been asked quite a few times. You refer to the downgrading of the Dominion and people applying for accommodation were turned down, and the railway kept no record of the number of requests for services that were denied. Were any specific complaints made to you, as Alderman; do you know of any particular cases, or would you be able to estimate the number?

Mr. DANZKER: I think I can do better than that; I can draw from my own experiences. Other than that I have no experience, and I have no other complaints.

Mr. PASCOE: You have been turned down.

Mr. DANZKER: I have on numerous occasions found it impossible—

Mr. PASCOE: Recently, since the Dominion was taken off?

Mr. DANZKER: Within the last six months, particularly on the trip to Moose Jaw that you may recollect.

Mr. PASCOE: Also on page 4 you refer to the terms of reference of this Committee, and you refer to future plans for passenger service. You refer to restoration of the Dominion during the tourist season, supplemented with a dayliner service during the balance of the year. Do you think that recommendation would find favour with all the communities from Calgary to Winnipeg?

Mr. DANZKER: I am afraid that in this case I would have to regard myself as somewhat of a realist. In view of what has transpired during the past year particularly, I have come to the conclusion that this may be the solution because in view of what has transpired it might appear that perhaps the full services may not be restored, and I therefore suggested the alternative.

Mr. PASCOE: Well, you still suggest the Dominion go on during the summer tourist season.

Mr. DANZKER: Very definitely.

Mr. PASCOE: And a dayliner the rest of the time. Would you envisage using that dayliner as a sort of feeder service to the Canadian, for people getting on, say, between Calgary and Winnipeg and then perhaps catching the Canadian at another point?

Mr. DANZKER: It could well apply that way. There would be no problem there.

Mr. PASCOE: You say, "I submit this." Do you say that you are submitting it personally?

Mr. DANZKER: No, I am submitting it on behalf of the City of Winnipeg.

Mr. PASCOE: Just one more question, and this has been brought up several times. During our hearings in Ottawa Mr. Sinclair, who is now President—he was not President then—said that the CPR would be quite prepared to look at the possibility of operating this day liner service, rail liner or whatever you want to call it, provided the cities would underwrite any possible losses. I have asked this question before and I thought I would just ask it again. What do you think of that?

Mr. DANZKER: Well, I think that may be possible provided they also made it possible for the cities to associate themselves with the earnings in other fields, particularly gas lines, oil rights and other things of that nature.

Mr. PASCOE: I have one more question along that same line. You are suggesting the CNR might run on the CPR lines. Are you suggesting joint running rights?

Mr. CARON: Mention was made of the taxes paid by the CPR on its line in the west. They do not pay any taxes at all to the municipality, do they?

Mr. DANZKER: Some municipalities.

Mr. CARON: Well, when is it paid. There is an understanding between the municipalities and the CPR. They pay a certain amount in lieu of taxes but they do not pay the taxes.

Mr. DANZKER: In certain areas. There are variations.

Mr. CARON: Where they do not pay any taxes do they pay at least the service tax, water, the sewers, the fire department? Am I correct they do not pay anything for those services furnished by the municipality to the CPR.

Mr. DANZKER: Mr. Chairman, I am afraid I cannot answer for what happens in other municipalities; I admit that I am not sufficiently versed. I can answer on behalf of the City of Winnipeg.

Mr. CARON: What is the situation in the City of Winnipeg?

Mr. DANZKER: We have recently concluded an agreement with the C.P.R., it is somewhat of an escalator agreement which provides for the next certain number of years they will be paying greater amounts each year until finally we hope to reach a time where we will be getting full compensation.

Mr. CARON: This is in lieu of taxes; it is not taxes but just a certain amount which they agreed to pay.

Mr. DANZKER: No, the agreement is—it is in lieu of taxes.

Mr. FRASER: At the last session of the legislature the Province provided that they should pay taxes to Winnipeg starting at 50% this year and for a series of years. It takes about 40 years to bring it up to full taxes.

Mr. CARON: The C.P.R. has accepted that.

Mr. DANZKER: Yes. Mr. Chairman. Mr. Fraser is City Solicitor and he negotiated the agreement.

Mr. CARON: Thank you.

Mr. REID: Mr. Chairman, I was very interested in Mr. Caron's line of questioning about the tax concessions. Could you tell me if it is true that the city offered these concessions to the C.P.R. in order to get the C.P.R. to come to Winnipeg instead of to Selkirk as it was supposed to go? The reason I ask this is because we had a similar situation with the City of Regina where they too made some concessions to get the C.P.R. to do certain things.

Mr. DANZKER: As you know this transpired when the C.P.R. first came through the territory. At that time the City of Winnipeg did negotiate with the C.P.R. and did make concessions at that time.

Mr. REID: Was this new agreement with respect to the hotel which you have recently concluded, one of that series of concessions?

Mr. DANZKER: We have concluded no agreement with regard to any hotel that I know of.

Mr. REID: Well then where did the C.P.R. get these concessions with respect to the Royal Alexandra. You were complaining they were not paying any taxes; obviously there must have been an agreement with either your municipality, the Province of Manitoba or the Federal government with the C.P.R. to allow such a situation to exist.

Mr. DANZKER: Mr. Fraser, would you answer that question.

Mr. FRASER: I am sorry. Would you repeat the question.

Mr. REID: Yes. I am trying to find out if there was an agreement between the Municipality of Winnipeg, the Province of Manitoba or the Federal government which set out that C.P.R. did not have to pay any business tax on the Royal Alexandra?

Mr. FRASER: Well the agreement that is referred to is an agreement made back about 1880, and there were several other factors in the agreement. But in relation to taxes it was agreed that all land owned by the railway and used by it for or in connection with railway purposes would be forever free from taxes by the city, and the hotel was considered as being used in connection with the operation of the railway. That was followed by the period when certain grants were made in connection with the hotel in lieu of taxes and finally superseded by the legislation last year, when the railway properties were made taxable on a reduced scale.

Mr. REID: Thank you sir. We all agree that when the railway first came out here that passenger service was an essential service. But would you agree today

Mr. Danzker, that the transportation of passengers by the railroad on railroad cars is an essential function of the railway in the same way, let us say, that the movement of grain is an essential function.

Mr. DANZKER: I am of the opinion that it is an essential part because not only those areas that you may have stopped at and visited, but far beyond those, badly need those services, and they have used them continually, as evidenced by the figures that have been submitted to you this morning.

Mr. REID: Since you have re-negotiated your original contract with the CPR why should you have any objection to the CPR attempting to re-negotiate its agreement to transport goods at less than cost, for example, passengers? In other words, I am suggesting that what the city has done with respect to CPR tax concessions the CPR is perhaps trying to do to the West with respect to its obligations, if there is one to transport passengers.

● (3.45 p.m.)

Mr. DANZKER: It is our contention that when the CPR first came into operation it came under a very definite type of commitment, or a definite understanding to service the area. In my opinion these conditions still continue, as they did previously, concerning the matter of compensation with respect to the hotel.

Mr. REID: The point I am trying to get at is that there seems to be a gap between what you have done with respect to the hotel and the CPR's concessions and what you are arguing here with respect to passenger service. I will leave it at that, Mr. Chairman.

Mr. SHERMAN: Alderman Danzker, I would like to add my voice to that of Mr. Pascoe in congratulating you on this brief which, taken in conjunction with the brief which we received this morning from the Province of Manitoba, will equip us very effectively for our next encounter with CPR management in these hearings.

I take it from the final paragraph of your brief, Sir, that you regard the tourist industry in this part of the country as being a vital and important industry that will be seriously inhibited and seriously curtailed as a result of any curtailment in rail passenger service?

Mr. DANZKER: Yes.

Mr. SHERMAN: Would this be related, in your mind, specifically to the centennial year and the Pan-American Games of 1967, or do you see this as a permanent situation, an industry that would be permanently affected unfavourably by any curtailment of rail service?

Mr. DANZKER: Well, it is particularly regrettable at this time with the centennial year and the Pan-American Games. On the other hand, I rather directed my remarks to the far-reaching effects rather than to the immediate results.

Mr. SHERMAN: You suggest one practical solution, as you put it, and it is an interesting and unique one to my knowledge in so far as our hearings up to this point are concerned. There is one point in it about which I am not quite clear though. You say that Canada should require the CPR to restore the "Dominion"

during the tourist season and supplement it with a day liner service during the balance of the year. Do you mean to supplement the "Dominion" with an additional day liner service during the balance of the year, or to supplant the "Dominion", that is to replace the day liner?

Mr. DANZKER: It is going to be replaced, yes.

Mr. SHERMAN: With respect to the question of subsidies, Alderman Danzker, I am not quite clear what your approach to the subsidy question should be. In view of the tax exemptions, tax concessions and land grants offered to the CPR by the city of Winnipeg during the past 75 years, should it be exempt from participating in any overall subsidies, or what is your view on that question? Would your views on subsidies parallel the view given by Mr. Mauro described earlier today?

Mr. DANZKER: Yes, they do. When I say "supplement" I mean after all the factors are weighed and then this matter can be determined by the board.

Mr. SHERMAN: Do you feel it is a question which can only be answered after this Committee and the Governor-in-Council, for that matter, decide on the answers to two other questions, namely what is a railway, and to what extent should passenger service be regarded as compensatory?

Mr. DANZKER: I assume you will take into consideration that I meant all other revenues such as oil rights and others that I made reference to.

Mr. SHERMAN: In answer to a question from Mr. Reid, Mr. Fraser, answering on your behalf, Alderman Danzker, said that under the taxation agreement between the city of Winnipeg and the CPR, terms were revised last year whereby railroad properties were made taxable on a reduced scale. Presumably this could be read the other way too, that is under the revised agreement railroad properties are now made taxable on a rising scale. Is that correct?

Mr. DANZKER: Yes, but it starts at 50%.

Mr. SHERMAN: But it will go up?

Mr. DANZKER: In about 40 years to 100%.

Mr. SHERMAN: Thank you very much, sir.

Mr. HYMMEN: Mr. Chairman, Alderman Danzker, Mr. Caron, Mr. Reid, and Mr. Sherman have already spoken on a subject that I wanted to ask a question on. This has to do with the subsidy in regard to municipal taxation. Subject to what Mr. Fraser might say, this might appear to be a deviation from the 1881 statute, which the larger municipalities—and this was mentioned in the City of Calgary—have been able to enjoy, and what some of the smaller municipalities have not been able to enjoy. Is this a provincial regulation, sir, or was this worked out in co-operation with the federal government?

Mr. DANZKER: This was worked out in co-operation with the province.

Mr. HYMMEN: This is a provincial regulation.

Mr. DANZKER: We have a different situation here than what may apply to other areas.

Mr. HYMMEN: Well, I will not go into the real aspects. What would one half of the taxation on real property and business tax be for the CPR properties in the City of Winnipeg?

Mr. DANZKER: Well, I might point out that for the last ten years, that is prior to the last year, we received a grant in lieu of taxes of \$250,000 a year. Is that not right, Mr. Fraser?

Mr. FRASER: Yes, that is right.

Mr. DANZKER: I think we started in the past year with approximately \$300,000. On the rising scale I think it will take 37 years, to be exact, until we reach a period when all taxes will be accounted for.

Mr. HYMMEN: I would like to proceed to another matter now. On page 4 you make this statement, "I would remind you that the development of Western Canada was due in large measure to the railway". That is an interesting statement because all we hear on this tour is what the railway got, not what the railway contributed. I think this statement is very well put when you consider that the whole development of many communities we visited has grown from a nucleus of the railways that went across the western prairies.

My question is this: We received many presentations before we went on this tour, and since, to the effect that all of the assets of the CPR should be expropriated if they refuse to meet their obligations with respect to service. I read in your brief that the City of Winnipeg does not agree with you that nationalization should only take place as a last resort. Am I correct in this view?

Mr. DANZKER: We do not stress that, Mr. Chairman, but may I deviate for a moment. I would like to say at this point, if I may, that I sometimes regret the differences in the attitudes of what we sometimes term the "Founding Fathers" when they first built the railway and their attitudes with regard to the services it was supposed to perform, and what it would do for the country as a whole. It might be well to observe that at that time they did not visualize all of the rights to revenues derived from the lands which are today an integral part of the revenues resulting from it. They have an entirely different attitude with regard to services and what they should do for the country; whereas present management seems to have a different view in that connection.

Mr. HYMMEN: Mr. Chairman, I have just one final question: I do not expect Alderman Danzker to answer this. Have you ever heard anyone make an estimate of what it would have cost, in the eighty years since the railway was completed, through subsidies from the public for the operation of this venture.

Mr. DANZKER: No I have not, but I can visualize what they would be.

Mr. BYRNE: Mr. Danzker, could you tell me if the CPR protested the statutory obligation of the original agreement?

Mr. DANZKER: I might say that they protested very violently. As a matter of fact, at one time it went to the Court of Appeal following which an arrangement was made with regard to grants in lieu of taxes by an agreement for a period of ten years. Prior to the expiration of the agreement, we very vigorously took issue with it and succeeded to the point that I have already described.

Mr. BYRNE: Then this legislation was recently passed.

Mr. DANZKER: One year.

Mr. BYRNE: That was provincial legislation.

Mr. DANZKER: By consent.

Mr. BYRNE: It was by consent?

Mr. DANZKER: Yes.

Mr. BYRNE: Do you believe that the Dominion can be replaced during the winter months by a day liner, or do you suggest a schedule of two day liners daily, or do you think that one day liner would be sufficient?

Mr. DANZKER: Oh no. I said there should be a day liner service I do not think one single day liner could possibly serve the area that is suggested adequately.

Mr. BYRNE: Then it would be sheduled two or three times a day?

Mr. DANZKER: Co-ordinate the time element.

Mr. BYRNE: Have you any idea how many daily bus schedules there are through Winnipeg at the moment?

Mr. DANZKER: No, I do not.

Mr. OLSON: Mr. Chairman, I would like to ask Alderman Danzker what he means by the tourist season where he says on page 6 that the government should require the CPR to restore the Dominion during the tourist season. Does this mean for the summer season, or for Christmas, or for Easter, or for winter sports?

Mr. DANZKER: No. In this instance I have particularly reference to the period from approximately June 1 to September 30.

Mr. OLSON: You would not require any passenger train service during the Christmas season, for example?

Mr. DANZKER: May I point out that I said very reluctantly I offered that as an alternative. I do not suggest for a moment that that would be the best service, but if it comes to the point where something of this nature is necessitated, you might give consideration to this.

Mr. OLSON: Oh, I understood on page six of your brief you say:

Finally, Mr. Chairman and Gentlemen, I submit what I think is a practical solution.

Then you say:

If this is not possible, then I submit, very reluctantly, an alternative suggestion that consideration be given to the possibility of arranging for passenger trains of the CNR.

Your number one suggestion would be that the CNR should run over the CPR tracks?

Mr. DANZKER: No, I did not say that. I said as a final conclusion the CNR should be given that privilege.

Mr. OLSON: I would like to be clear on that. May I read it to you again:

Finally, Mr. Chairman and Gentlemen, I submit what I think is a practical solution-require the CPR to restore the Dominion during the

tourist season and supplement it with a day liner service during the balance of the year. If this is not possible, then I submit, very reluctantly, an alternative suggestion.

Your alternate suggestion is that the CNR should run over the CPR lines.

Mr. DANZKER: Well, might I say that it may be a practical solution, but it would not be an ideal one.

Mr. OLSON: Your first suggestion is that the Dominion should be restored as it was, to a full-fledged train operating twelve months of the year.

Mr. DANZKER: That is the basis of the recommendation.

Mr. OLSON: The second alternative would be to restore the Dominion during the tourist season with a day liner service in the off-season. Your third suggestion is that the CNR should run right on the CPR lines?

Mr. DANZKER: That is right.

The VICE-CHAIRMAN: This completes the inquiry of Alderman Danzker.

The next brief will be from the town of Kenora, presented by Mr. G. A. Sherrett, Industrial Commissioner. We have a few copies of this brief. I would ask Mr. Sherrett to read his brief, please.

Mr. SHERRETT (*Industrial Commissioner*): Mr. Chairman and Gentlemen, most of you have copies of this brief so I will eliminate the preliminaries to save time.

On behalf of Kenora and district, we seek to reiterate a strong protest regarding the order of the Board of Transport Commissioners for Canada authorizing the discontinuance of the Canadian Pacific Company's operation of the Dominion, which has since been carried out by the company.

In our brief presented to the Board of Transport Commissioners for Canada at the hearing held in Winnipeg on September 27th, 28th, 29th, 30th and October 1st, 1965, we stressed the loss of the Dominion and other services which, over the past 84 years, has played a major part in serving and building up our area.

We also strongly protested the company policy over the years of not making firm reservations for passengers in this area in which Northwestern communities, including Kenora, were apparently regarded as extras to fill vacancies existing when the trains left Winnipeg.

Numerous experiences indicated that the intervening points came secondary in consideration with frustrating uncertainty, driving prospective passengers to seek other means of transportation where firm bookings could be assured in advance of departure. For instance, last fall an increase in passenger rates, almost doubled from our area to Winnipeg and to the Lakehead, confirmed to us a premeditated decision to abandon adequate passenger services by the additional pressure of increased rates. This policy of attrition has been built up over the past few years creating the deficit in operation that is now used, we believe, as a reason for cancellation of the Dominion.

On June 4th, 1965 a drastic curtailment of other services went into effect, when the refrigerator car services for local commercial fish products shipments to eastern Canada and United States markets, were removed from the Domin-

ion. With mail and passenger services, these essentials were transferred to fast freights. A minimum of 10,000 pounds of fish was established at Kenora before a shipper could be assured of refrigerating cars. The transfer to fast freight services results in delays of from three to eight hours in reaching a demanding but lucrative market. Yet the commercial fishing industry has been or was a successful one in this pioneer area for over seventy years.

On page 90 of the Board of Transport Commissioners Order No. 27563479 regarding the Dominion, the following extract from the remarks of Mr. A. C. C. Griffin refers in brief to Kenora's problem:

In concurring in the judgment of the Chief Commissioner and Mr. Commissioner Woodard, I must have this reservation. In formulating my opinion *I have not weighed the economic or social impact upon communities*. In my opinion, these are not matters to be considered and weighed by the Board in the discharge of its duties under the Railway Act.

We respectfully submit that if your committee does not consider this very important factor in its deliberations and its effect on the communities concerned, the far-reaching effect of this policy will be lost entirely in its true perspective.

It is our sincere submission that your honourable committee, as elected representatives to Parliament, must be aware of the wide effects this policy of progressive retrenchment will have on the economic future of communities, such as our own, to be gravely affected by this policy of curtailed activities.

We made a survey, gentlemen, of the company policy of abridgement in the last few years; its very interesting. Under the maintenance of Way, Bridge and Building department, since 1926, which is stretching it rather far, when 72 men were employed, this has now been reduced to 24. The Brotherhood of Railway and Steamship Clerks numbered 12 in 1962 and now reduced to 9. This was directly due to the cancellation of the Dominion.

With respect to the Brotherhood of Locomotive Engineers the average number of employees on work list was 70 in 1958, and now reduced to 61 in 1965. We understand that new firemen are not now being re-engaged, it is reported. Some trains are operating without firemen, as was decided some time ago.

In the past five years five railway agencies and nine operator's positions have been abandoned in the Kenora area. This includes the agencies at Oxdrift, Eagle River, Hawk Lake, Kenora and Ingolf. These are small places which were mostly affected by the tourist business. The operators were removed at Dymont, four at Eagle River, Hawk Lake, one at Kenora, and one at Keewatin, Kenoras sister town; also one swing operator. The estimated loss of wages to the community was \$45,000. Now projected and possibly to take effect this year, of which we were advised, transfer of one chief dispatcher, seven regular dispatchers, one relief dispatcher, working seven months at an additional estimated loss of close on \$72,000 in wages.

In January, 1962, with regard to firemen, oilers, roundhouse and shop labourers, the number of employees in this department totalled 23. Early in February 1966 only 9 remained employed. Others have been paid off, some have left town or have sought other employment.

Concerning local firemen and engineers, in 1960 there were only 161 on the work list; in 1964, 150; in 1965, 133, and in 1966, 118. Gentlemen, the chopping has been going on quietly and effectively all these years. Considerable seasonal unemployment, of course, exists, depending on the grain hauls. This particularly affects the fireman with low seniority. The most heavy one of all which is due mostly, I must admit, to dieselization, is the mechanical department at Kenora. I will not go into the individual figures.

Mr. REID: May I make a motion to have this table printed in the brief?

The VICE-CHAIRMAN: It is moved by Mr. O'Keefe, seconded by Mr. Boulanger.

Motion agreed to.

Mr. SHERRETT: Trainmen, which includes conductors and brakemen, have been reduced in number since the advent of diesel power. Tonnage hauls have been increased, with trains almost twice as long, reducing staff requirements. Way freights have been abolished which took away steady employment for four brakemen and two conductors.

Fears are now entertained that the runs will be lengthened for the operating crews through existing terminals, which includes Kenora. This would eventually force 150 families of running trademen to move to Winnipeg, Fort William or Sault Ste. Marie, with additional great financial loss.

It is understood that the company is making surveys for a plan to run cabooses through Kenora. This would eliminate one yard crew on each shift or a total of nine men. The cancellation of the Dominion is reported to have taken 15 men off the work boards.

Kenora's economic future will be gravely affected as a population centre in northwestern Ontario, while many other communities across Canada will experience the same economic, wage, tax and population loss and steady deterioration.

We respectfully submit that the federal government cannot stand by and see communities such as Kenora ruthlessly denuded of its economic strength by the will of a federally subsidized corporation, until the community in question can be assisted by some incentives under the Area Developments Incentives Act to permit our communities to use incentives to attract new industries and absorb our citizens who may be forced to seek new types of employment.

In profound sincerity we believe that the cancellation of the Dominion is a grave retrograde step with far-reaching consequences in these days of buoyant economy. This train should be resumed as a fully constituted passenger train and, if necessary, subsidized, to meet the growing economic needs of important communities along its right-of-way. Respectfully submitted, gentlemen.

Mr. CANTELON: We have here, presented by the witness in the brief, much the same argument with respect to reservations that we have heard many times. This further confirms our feelings that something really needs to be done about it. You have merely said there is a problem here without actually giving us any examples. I wonder if you could give us any concrete examples.

Mr. SHERRETT: I have had many myself, sir. You go up to a depot and ask for reservations. You have to phone Winnipeg; two and three days will go by

without any results. Often I have gone up at the last minute and waited on the sleeping car conductor walking to the station before I got my reservation. This has happened not infrequently, and many others have experienced the same. Secondary to the big city, we are just a fill in.

Mr. CANTELON: I think the railway makes the point that effective demand, which is the term they use, is the key to the future of the railway passenger business on the CPR, and they give us the definition for effective demand. It is the demand for a service at prices which meet the cost of providing that service. I wonder what you think of the economics behind that?

Mr. SHERRETT: Well, I frankly think, sir, that they could make money if they accepted reservations and even charged us the Winnipeg rate, so that when the train came into Kenora we could walk on it in comfort on a cold winter night instead of hanging around hoping that we are going to get a reservation. It would be just as easy as that; they would make more money on it.

Mr. CANTELON: In other words, I think you would probably agree with the definition which I tried to have them accept namely that this matter of effective demand, from their standpoint, really just means the people who get on the train, not the people who want to get on the train?

Mr. SHERRETT: That is correct. I may be entirely wrong and perhaps I should not say this, but I think there has been an excessive demand for certain travel agencies which may not be finalized at the last minute, but these reservations go into Winnipeg and they are accepted first. That may be part of their argument, I do not know.

Mr. CANTELON: There is just one other matter I would like to discuss. On page 2 you say:

It is our sincerest submission that your honourable committee, as elected representatives to parliament, must be aware of the wide effects this policy of progressive retrenchment will have on the economic future of communities.

Then you go on to quote for us mainly the effect of the retrenchment that the railway has carried out in eliminating firemen, engineers, and so on. Do you not really feel though that if the railways were to be even more progressive and use even more modern types of transportation that this policy would become even more severe? This is something that we can hardly expect the railway not to do if it is going to operate economically, and that is really its first duty.

Mr. SHERRETT: I frankly do not know of a service that operates regularly and economically in every department of its business. Some of them are passengers; some of them you can throw away on the assembly line. The railway can do the same; they have \$660-odd million invested in different other organizations. Their estimated loss this year was \$23 million, according to Mr. Crump, in passenger service, but the boost was an increase of 28 percent, according to the press dispatch.

Mr. CANTELON: But are all these people laid off just because the passenger business has been retrenched by the railway?

Mr. SHERRETT: I would say no, but they are laid off by this retrenchment policy which has been planned over a period of years and is gradually and slowly taking effect. You have a community like Kenora losing approximately

1500 of its population if the running trades are moved out. That is how serious it is; it taxes empty homes.

Mr. CANTELON: I admit it is very serious on the community, but I question whether we really should expect the railway to continue to employ people when the work that they were to do is no longer there. This has been mainly because the railway has used some progressive methods of signalling, new types of engines and so on, and this has enabled them to decrease their number of employees.

Mr. SHERRETT: Our main argument, sir, and I probably did not stress it too much, was that before this policy was carried out, as it has been over a period of years, there should be a laying off or a warning period. These men should have been told one or two years ahead, "Your job is going; you better get busy and look for something." That was not done.

Mr. CANTELON: I will agree with you in that respect, because this is the same sort of principle that they have followed in discussing rail line abandonments; they will not name what line they are going to abandon. I hope the Chairman does not decide to call me out of order with respect to that. However, the railways themselves say that they had to hire—now I stand open to correction on this—I think it was something like 5,000 employees a year that they had to hire. If this is true, then they can technologically remove a number of employees and not create any really lasting hardship on the employees; I will admit, it hurts the community.

Mr. SHERRETT: When an employee reaches a certain age, sir, he has no new skills to employ other than he has adopted over those years. He should have that length of time. I would say two years. Give us a chance to re-educate and re-train him.

● (4.15 p.m.)

Mr. CANTELON: I agree with you entirely. I think if they are going to do this, they should be phased out, and they should know when it is going to happen.

Mr. SHERRETT: That is what we are saying in our submission. It should be done over a period of years.

Mr. CANTELON: Thanks, sir. That is what I wanted to find out.

An hon. MEMBER: Keep that up.

Mr. CARON: Are you on the same basis for taxes as the western provinces respecting taxes from the CPR? Are they playing taxes in Kenora?

Mr. SHERRETT: I am not definite on that part, sir, I would not like to hazard an answer. I know they pay water rates for their water and they pay a much lower rate than the ordinary citizen does; I know that.

Mr. CARON: But they do not pay the regular rates?

Mr. SHERRETT: No.

Mr. CARON: They have an understanding with the municipality?

Mr. SHERRETT: For a long period of years.

Mr. CARON: But according to the law of the Province of Ontario where you are, are they liable to be taxed as any other citizen?

Mr. SHERRETT: As far as I know, but I am not definite on that, sir.

Mr. CARTER: I come from a province where the fishing industry has been the mainstay for 450 years. I am naturally interested in your reference to the fishing industry in your brief. I wonder if you could give a little more information about it, the value of this fishing industry to your community?

Mr. SHERRETT: Prior to this re-switching to the fast freight cars, approximately \$260,000 a year came in in business with commercial fishing shipments.

Mr. CARTER: You say here a minimum of 10,000 pounds of fish was established to obtain your figure of car service.

Mr. CARON: I think we should stay with passenger service, I think we are going pretty far out here.

Mr. OLSON: On that point of order, the witness has stated very definitely that they lost their access, their delivery service for fish—

The VICE-CHAIRMAN: You mean he was not in order, when I allowed him to read his brief?

Mr. OLSON: Mr. Chairman, this is part of the passenger train.

Mr. REID: Mr. Chairman, the way this fish was shipped out was on the "Dominion". In many ways, what we are talking about is exactly the same thing we spoke about in Medicine Hat when we dealt with the flowers.

Mr. CARTER: I would like to know how long you had this service with the refrigerated cars. Did you have it all the while the "Dominion" was in existence.

Mr. SHERRETT: Oh yes, long before that, for over seventy years.

Mr. CARTER: Since it has been discontinued what has been the effect on your community? Have you any alternative service for that?

Mr. SHERRETT: Oh, yes. Those shippers who do not have 10,000 pounds have to truck it over 19 miles north to get on the CNR which has refrigeration service and accepts these shipments. The biggest shipper of the lot uses a complete truck service twice a week to Toronto and Montreal, direct truck service from Kenora for fish alone.

Mr. CARTER: Have you been able to maintain your markets?

Mr. SHERRETT: Except the smaller ones, that have that added expense of shipping over to this other railroad which is pretty difficult during the winter months.

Mr. CARTER: Has that lowered the returns to your community?

Mr. SHERRETT: Definitely, sir.

Mr. REID: Mr. Sherrett, your brief, the brief of the town of Kenora, has presented the first portrait this committee has had on the impact of railway changes on particular communities. What is the basis of the economy of Kenora?

Mr. SHERRETT: It comes largely from a large paper mill which is our largest producer, followed by the CPR. That was the next highest payroll.

Mr. REID: If these reductions in the staff continue, what is the potential future of Kenora?

Mr. SHERRETT: What happens, what I am dreading, in the moving of the running trades, we will just lose approximately \$2,500,000 a year in wages. We will lose approximately \$200,000 a year in taxes. We will lose a lot of very, very fine citizens who have contributed municipally, culturally and other ways to the community over the years. That is a tremendous loss to a small community.

Mr. REID: Do you have any opinion on what responsibility the CPR has to communities, say like Kenora, which it has called into being, because Kenora originally was a railroad town?

Mr. SHERRETT: That is correct, sir.

Mr. REID: Do you think the CPR or the CNR and other examples, has any responsibility for these communities?

Mr. SHERRETT: Not except morally, I am afraid they have no obligation, no.

Mr. REID: Fine, thank you, Mr. Sherrett.

Mr. FAWCETT: I am probably out of order too, Mr. Chairman. I am not sure; but my question continues on with what we had to say today regarding phasing out or reduction of, particularly running trades staff, although other non-ops were affected more seriously, prior to this time. Have you heard of or read the Freedman Commission Report, Mr. Sherrett?

Mr. SHERRETT: Yes.

Mr. FAWCETT: The only point I want to make here is that this will probably come up in this discussion, and I think that we have to accept the fact that the conditions on the Canadian National that Mr. Freedman made his recommendations on are not similar to the conditions on the CPR. This is for the Committee as well as Mr. Sherrett, and I think we should keep this in mind. In fact, I think there were only two comparable places on the CNR to the CPR and those were Nakina and Wainwright. That is all I have to say.

Mr. SOUTHAM: Mr. Sherrett, first I would like to congratulate you on the more or less dramatic and emphatic way you presented your brief. I noticed that you placed particular emphasis on the retrenchment of the railway as it affects their employees, and so on, and this has been gone into. You referred a moment ago to the industry itself, about your industries and their importance to your city. I, coming from the grass-land area of Canada, have always looked on Kenora, Keewatin and Lake of the Woods area as a very high tourist attraction. Could you enlighten our Committee, Mr. Sherrett, on how this diminution of the railway passenger service might affect this great industry in Canada, as far as your particular area is concerned?

Mr. SHERRETT: I doubt very much whether it would affect the tourist business very much, because I was in the tourist bureau for a number of years directing the activities there. During July and August we have approximately 22,000 cars a week bringing in between 50,000 and 60,000 visitors to a town of 11,000 people, but very very few people came by train except from the old country or Europe. Then the father and mother and family would travel by train. It is remarkable how few did stop. Let us say they stop off at Kenora, they maybe came to Winnipeg, the larger city, where there is much more variety to see, but in the small groups of tourists coming, very few came by train, surprisingly few.

Mr. SOUTHAM: This is interesting because in travelling across Canada, of course, some people prefer the relaxation of train travel. You would think it would be more or less people from outside the country. How would it affect American tourists coming to Canada?

Mr. SHERRETT: The American usually travels by car. But just going down to the lakehead on the "Canadian" about three weeks ago, I met a very interesting New Zealand couple. I had been in New Zealand in the last war attached to their air force, and we had a very enjoyable trip. There was a New Zealand family making a trip across Canada by train; but they are few and far between.

Mr. SOUTHAM: What would your comments be in respect of our centennial and people coming from various countries of the world and wanting to fan out across Canada, not only to see Expo in Montreal but to see other parts of Canada? Do you assume it would be in the interests of the tourist industry to see the "Dominion" maintain at least the full concept—

Mr. SHERRETT: For the summer months, at least, definitely it would, sir. And not of Kenora; I see it from business standpoints. I see, at least two other stikokans, two other giant mines.—several gold mines, and so on. I can mark them down and put them there. This is a growing country and we need some form of assured transportation.

Mr. PASCOE: Mr. Chairman, this is repeating to a certain extent the question of Mr. Reid, but it is a question in which I am quite interested. On page 2, he refers to the statement of Mr. Griffin. He says, "In formulating my opinion I have not weighed the economic or social impact upon communities. In my opinion, these are not matters to be considered and weighed by the board in the discharge of its duties under the Railway Act." I just want to ask this question, and I am quite sure it is brought out here, are you suggesting that this is one of the main considerations of this Committee when we report, "the social and economic impact on a community in the curtailment of passenger service"?

Mr. SHERRETT: I do, sir. I believe that this will stretch across Canada in many communities. We are not the only one.

Mr. OLSON: Mr. Sherrett, you made a point of your requirements for L.C.L. or something of this nature for shipping out fish, and I am wondering if you lost any markets because of the—

Mr. SHERRETT: We had trouble until they quickly brought in a trucking service and met the same schedule. You see, you have to catch that four o'clock morning traffic in New York. That is when the fish markets are going, at four o'clock in the morning. If your fish are not there you will lose that business.

Mr. OLSON: Did you in fact, lose any?

Mr. SHERRETT: Yes, we did lose several days until a substitute method was found; complete trucking service right through.

Mr. OLSON: Would you be able to recapture these markets if head end traffic was restored?

Mr. SHERRETT: Fairly well; by the development of a new type of fish, too. They are using the suckers now and dressing them up for certain types of market. It is surprisingly good.

Mr. OLSON: Then, if the "Dominion" was restored as a passenger train, in your submission, you would also require the head end traffic to be put on that passenger train?

Mr. SHERRETT: Head end refrigeration, and there is another gentleman here today who mentioned mail services.

Mr. OLSON: Mail services, too?

Mr. SHERRETT: We get mail services by truck from Winnipeg now, and if there is a bad storm we do not get the mail.

Mr. OLSON: I see. Do you market fish on a year round basis, or is it seasonal?

Mr. SHERRETT: Oh, yes, on a year round basis.

Mr. OLSON: Do you have peak seasons, or is it pretty well the same?

Mr. SHERRETT: Definitely; your peak seasons are June, July, August and September and October.

Mr. OLSON: Would there be a great difference between the peak and the low season?

Mr. SHERRETT: Not too big a margin several years ago. It is now.

Mr. OLSON: And during the summer months you have a much larger season?

Mr. SHERRETT: Much larger. Everybody is working on them. They are going out all the time.

Mr. OLSON: Then if this train was restored for the summer months, or what has been referred to as the tourist season, I think they talk about from June to September, and the head end traffic was on there, this would be of major benefit to your area?

Mr. SHERRETT: To this one industry in particular, yes, the small people who have not the 10,000 pound shipments could put it on this train.

Mr. HYMMEN: One question. It is not in your brief, Mr. Sherrett, but we will probably find out ourselves tomorrow, what time of the day does the westbound and eastbound "Canadian" arrive in Kenora?

Mr. SHERRETT: The westbound arrives at approximately a quarter to eight in the evening and the westbound goes about one thirty to quarter to two, going east, I beg your pardon, at that time.

Mr. HYMMEN: And how many day coaches are on that train?

Mr. SHERRETT: It varies. The last time I went through there was about fourteen.

Mr. HYMMEN: I mean coaches, not sleepers.

Mr. SHERRETT: There were two day coaches on there.

Mr. HYMMEN: Do you have to have a reservation to get on the day coach.

Mr. SHERRETT: No; but they insist on giving you a ticket for a seat and nine out of ten times when you walk on them that seat is occupied by somebody and there are two vacant seats on either side.

It is quite a formality without any use.

The VICE-CHAIRMAN: This is the end of your brief. The next brief will be three briefs in one. It is a brief of the Brotherhood of the Railroad Trainmen of Kenora, Ontario, and the Brotherhood of the Locomotive Engineers, Kenora, Ontario, the Brotherhood of Locomotive Firemen and Enginemen of Kenora, Ontario. I would ask Mr. Fleming to come forward.

Mr. FLEMING: Mr. Chairman and gentlemen, I think I will have to start with an apology about the copies of this brief. We took them into one office where they were supposed to be reprinted identically. I am working on the railroad and away from home for a time and when I came back I found they could not handle this, so we had to take them to another office and they were done on an older machine with a new girl and it was too late to have them redone when I found out they were this poor and not too clear.

In the matter of the discontinuance by the Canadian Pacific Railway company of the "Dominion" and the curtailment of other services as it affects the communities of Kenora, Keewatin and district, to the standing Committee on transport and communications, this brief is submitted on behalf of the local lodge of the Brotherhood of Railway Trainmen, the Brotherhood of Locomotive Engineers and the Brotherhood of Locomotive Firemen and Enginemen, Kenora, Ontario, and sponsored and approved by the Kenora-Keewatin District Labour Council.

As an indication of the Canadian Pacific Railway policies we quote in part a business editorial by Harry L. Marden, *Tribune* Business Editor:

"There are some CPR directors who believe the company should get a super financier to run the Corporation which has well over \$3 billion in gross assets. They believe that it does not need a railroader to run the CPR. The company has too many other irons in the fire. The most spectacular growth has been in other wholly-owned or controlled companies. CPR's holdings in oil, natural gas, minerals, timber and land are fabulously wealthy.

It is learned, however, that two CPR vice-presidents are in the running for the presidency, each with his own supporters. One is a native Winnipegger, Ian B. Sinclair, Q.C., Senior Vice-President. The other is George Baily, elected to a new Vice-Presidency last February 1st. He is knowledgeable, efficient and with a pleasant and out-going manner. Based purely on railroading experience, Mr. Baily should have the inside track. Mr. Sinclair is considered brilliant, radical in manner and efficient up to the point of ruthlessness."

Mr. Sinclair has now been appointed as president and it seems very likely they will exploit the natural resources they were given out as subsidy under the 1880 agreement, which they do have a right to do, but curtail railway business that does not have a high return on the dollar invested affecting the welfare and economy of the communities they service and the country as a whole, which we think they do not have a right to do while they still realize a good and reasonable profit on their overall operations.

In the month of October 1880 a contract was entered into between the government of Canada and certain individuals providing among other things

that "the company shall thereafter and forever efficiently maintain, work and run the Canadian Pacific Railway." In return the government agreed to grant to the company by a subsidy in money of \$25 million and in land 25 million acres. This acreage consisted of alternate sections of 640 acres extending back 24 miles deep on each side of the railway. This land carried with it not only surface rights but also mines and minerals, oil and gas included. This is not all. The Dominion Bureau of Statistics catalogue 52 202, 1923 to 64 reports that aid granted to the Canadian Pacific Railway Company and other companies now comprising with CPR system to December 31, 1964, amounts to \$106,280,334 in cash subsidies and expenditures on construction, and a grand total of 43,926,546 acres of land by way of grants.

The management of the CPR has consistently announced to all concerned that in so far as passenger service is concerned, the policy of the company is to get out of passenger business. There is evidence that a planned deterioration of service has been in effect, a deliberate attempt to drive passenger business away. On the other hand, the CNR has for some time been involved in an all out effort to regain a share of the passenger business in Canada. It is a fact that advertising, new equipment, better service which is customer oriented, resulted in such an increase in business that it was beyond the ability or the capacity of both the CPR and CN to handle it. The CPR's answer to increased business was to increase fares, and the latest move to discontinue the "Dominion." Perhaps the time has come when Canadians should insist that if the CPR does not fulfil its obligations, then the day of reckoning has arrived. It seems only logical and fair that the CPR should return to Canadians at least the land and royalties received from timber grants, mines, minerals, oil and gas, etc. We feel and believe that the CPR has an obligation by contract to maintain and efficiently operate the company. In view of the vast subsidies received the economic future of the community should be considered. This was not done as evidenced by the board's report, page 90.

I think you will think we are kind of hard on the board, but we do realize now that they just did not have the authority to deal otherwise with it. The Board of Transport Commissioners have the responsibility to safeguard the interest of the public, ensuring the railway companies fulfil their obligations. However, an examination of this case shows that the board has established its own yardstick, and in determining such cases a smaller yardstick could not be found.

Is it efficient operation to not have sufficient motor power to handle the grain movement? Yet they allege that the motor power in use on the "Dominion" was needed to handle the grain movement. No weight was given by the board to the human consequences. No weight was attached to whether the operation should have continued with a certain and safe service to the travelling public despite inclement weather etcetera. No consideration seems to be given to the fact that if a positive, realistic policy was initiated the public might show a preference for train travel, as evidenced by the CNR policy and its results: although on the whole the CNR operate to a much more sparsely populated part of the country.

Kenora-Keewatin Trades and Labour Council members in the Kenora district notice that the CPR officials private car was staffed and the Board of Transport Commissioners private car travelled together in this area. We do

not think this is conducive to a fair and impartial decision. All hockey leagues of any consequence require that the referees do not fraternize with the players or team officials. We think that the decision as to whether railway services to communities across Canada affecting the economy of such communities is more important than the outcome of a hockey game.

On page 47 of the board's report they evidently accept the company's figures of \$1,932,657 for road maintenance for the year 1964. Yet road maintenance is necessary whether the "Dominion" runs or not. Can this amount be attributed to the "Dominion"? Wages of train and engine crews for the same period were \$2,144,904. On page 49 of the board's report the company states "some accounts are subdivided as between passenger and freight service but as previously noted many accounts contain expenses which were common to both services". Could all these costs be attributed to the "Dominion" or can it involve deadheading on the "Dominion" to perform service in freight.

On page 35 of the board's report the commissioner states that it was not his belief that the company discourage rail passenger traffic. In April, 1965, approximately 50 members of a bowling league of this district attempted to get reservations Kenora-Vancouver and return, but were only able to obtain transportation to Vancouver and had to return via CNR at much inconvenience. Further to this, a young peoples' sodality of this district attempted to acquire reservations for 50 members from Kenora to fort William and return, but could not obtain group rates via CPR, so were forced to charter a bus.

Last fall an increase in passenger rates almost doubled from our area, Winnipeg to the lakehead cities, to confirm a premeditated decision to abandon adequate passenger service. This policy of attrition has built up over the past few years creating the deficit that has now brought about cancellation of the "Dominion".

In June, 1965, a drastic curtailment of other services went into effect when refrigeration car services for local commercial fish products to eastern Canada and the United States market were removed from the "Dominion". Mail and express services were transferred to fast freights. A minimum of 10,000 pounds of fish was established to obtain refrigerated car service. This transfer to freight resulted and still results in a delay in reaching a demanding market while shipments of less than 10,000 pounds requires the trucking of this commodity to Redditt and shipping via CNR. Yet the commercial fishing industry had been very important to this area for over 70 years.

It is beyond comprehension to imagine that a decision to discontinue the "Dominion" could be made without giving any regard whatever to the social and economic impact to the communities which are served by the "Dominion". Yet this is precisely what the board did. The Assistant Chief Commissioner stated on page 90 of the judgment as follows:

"In formulating my opinion I have not weighed the economic and social impact upon communities. In my opinion, these are not matters to be considered and weighed by the board in the discharge of its duties

Here then is the anomaly of the situation. The Board of Transport Commissioners has allowed Canadian Pacific to discontinue the "Dominion" and under the Railway Act."

this decision was taken without any study or consideration having been made as to what Canada's national transportation policy will be, without any investigation of passenger traffic potential, without any consideration of the effects of improved technology, and without taking into account either the economic or the social impact upon communities affected by this decision. It is particularly difficult to understand why the board extended invitations to various communities across Canada to make its views known to them when the board did not consider that the economic or social impact upon such communities which were matters which were germane to their judgment. It is now obvious that while the board invited representations from the municipalities and, indeed, thank them profusely for their interest in appearing before them, the board looked at these municipalities with unseeing eyes.

The board's judgment speaks for itself. It indicates the factors which were taken into account. It is clear that the principal factor which weighed most heavily upon the board was that the operation of the "Dominion" was unprofitable from the standpoint of the Canadian Pacific Company. For the most part, the board's judgment is nothing more than a verbatim recital of briefs and material submitted to us by the CPR, which has as their sole objective to prove that the "Dominion" is economically unprofitable to the CPR. What is surely required in this matter is not decision by a regulating body with an adequate authority to weigh all relevant factors. Surely this matter calls for a decision by Parliament itself.

Kenora's economic future will be gravely affected while many other communities across Canada will experience the same penalization and subsequent deterioration. We must have incentives to combat our economic problems. Cancellation of the "Dominion" with obvious retrenchment policies as now planned and operating is a breach of trust with the people and communities that helped to build it up in the pioneer years.

We cannot accept this decision as being in the best interest of and in keeping with the CPR's obligations to the Canadian public. To allow the railroads to scuttle non-profit services with the resultant superfluity of ghost towns while they are still making tremendous profits in their over-all operations is the height of human imbecility. In all sincerity we believe that the cancellation of the "Dominion" was a grave and backward step with far-reaching consequences in these days of a buoyant economy and a young and growing country. Therefore we contend this train should be resumed as a fully constituted passenger train to meet the steadily growing economic needs of important communities along its right of way. All of which is respectfully submitted by myself on behalf of The Brotherhood of Railway Trainmen, Kenora, Ontario; The Brotherhood of Locomotive Engineers, Kenora, Ontario; Brotherhood of Locomotive Fire and Engine, Kenora, Ontario; approved and sponsored by the Kenora-Keewatin and District Labour Council.

Mr. REID: Thank you, Mr. Chairman. Mr. Fleming, there are just two or three points that I would like to have cleared up for my own information. On page 2, of the brief that you gave to us, I will quote the section: "Wages of the train and engine crews for the same period, were \$2,144,904.00. On page 49 of the Board report the Company states "some accounts are sub-divided as between passenger and freight service. But, as previously noted, many accounts contain expenses which are common to both services. Could all these costs be

attributed to the Dominion or can it involve deadheading... on the Dominion to perform service and freight? This is something that is beyond my knowledge. Could you make a comment on this, please?

● (4.45 p.m.)

Mr. FLEMING: I would have to enlarge on this quite a lot to explain it fully. When we had steam there was very little deadheading. When there was more traffic in one direction than the other it always required an engine crew on each locomotive unit. Now they can put any number of units in a train, working and operated from one unit. Or they can have it isolated in any part of the train. So now I would say there is probably six to ten times as much deadheading as there used to be because they can deadhead crews in the opposite direction from the preponderance of traffic and more cheaply than they can work them. They can put these units in a train, with little or no cost to the company, and we understand that this deadheading was charged to the "Dominion". We know that, usually, when the "Dominion" was running, they deadheaded on the "Dominion".

Mr. REID: In other words, this would be an added expense to the "Dominion", which would not really be there in fact.

Mr. FLEMING: That is right.

Mr. REID: I have heard several people across the country say that the CN CP system of accounting allows for a great many possibilities of this type. Would you agree that this is a possibility, perhaps even a truth, that perhaps, in some ways, the "Dominion" is being made the whipping boy for an awful lot of other costs that properly belong elsewhere.

Mr. FLEMING: Well, we do not have anything concrete to establish the fact that they are, or anything in black and white. But, in dealing with minor officials, they explain that in steam days if there was too much deadheading they had a lot of paperwork to do. Now they say that there is not any paper work at all; they can deadhead as much as they want. And they imply that this is charged to the passenger.

Mr. REID: We heard a great many comments that the "Dominion", and the "Canadian" to a certain extent, have been downgraded by the equipment not having been kept up. We have also heard that a lot of the power units have been breaking down.

From your own personal knowledge, and from that of the people you represent, have you heard anything to this effect or have you of your own experience, seen anything of this nature?

Mr. FLEMING: I would not say that on the "Canadian" they neglect their maintenance, but in all other services I would definitely say they do.

Mr. REID: And that they do not really keep up their capital equipment as perhaps they ought to. Would you say that there are sometimes larger breakdowns that could have been avoided by proper maintenance procedures?

Mr. FLEMING: Well, I would definitely say so, but I am stating views from the point of a practical railroader; the paper railroaders think differently than I do. But I have had to come in here with the diesel stalled on an 8,900, a few miles out of Kenora. I had to put matchsticks under the rest springs on the fuel pump—and when you have no fuel pump on a diesel, you have nothing—and I

came in here to the shop and booked it. "We have got to get this engine out right away", I was told, and so I explained what happened. "Well, is it running now?" They said. I said, "Sure, but it has got matchsticks under the springs." "Well", they said, "as long as it is running we will get it out." And that is the way it goes; matchsticks under the springs, holding the pressures down, to run the locomotive.

Mr. REID: When you find something of this nature what is the procedure? Do you make out a work slip or something and then turn it over to your immediate supervisor.

Mr. FLEMING: That is right but, quite often, one engineer will take it in, and there is a place for those worksheets on locomotives, but all they do is remove the sheets and the fellow going out does not know what trouble the previous fellow has had.

Mr. REID: That is fine for me, Mr. Chairman. Thank you Mr. Fleming.

Mr. SHERMAN: Thank you, Mr. Chairman. Mr. Fleming, an excellent brief if I might say so, sir.

First you are a labour man, Mr. Fleming, and there is a question in the ambit of the labour situation that bothers me. We heard from Mr. Robert Lane in Brandon, of the Brotherhood of Railroad Trainmen, and Mr. R. B. Copeland here today, to the effect that as a consequence of the policies being pursued by the company morale and esprit de corps amongst CPR employees has been at a low ebb for some time. I assume that you would subscribe to this same argument?

Mr. FLEMING: I definitely do.

Mr. SHERMAN: Well, the question that troubles me, sir, is this; that should this Committee decide to recommend to the government that the Dominion passenger service on the CPR lines be restored and should the government subsequently take such action, in an environment where you have a crippled morale, of the type that exists at the present time, can you forcibly restore labour morale?

If there were a government order that the Dominion passenger train should be resurrected and that service should be restored, do you feel confident that if the company were acting under pressure and duress from the government, in that respect, it would or could act in a way so as to provide a healthy working environment for CPR employees? Or would morale still be at a low ebb?

Mr. FLEMING: Well, I definitely think it would better the morale. Fifteen years ago the morale was not too good on the CN. The CP was good. Now they seem to have reversed their principle of operations.

When you go down town and hear nothing but criticism of a company which has belittled the public, your organizations, and labour in general, it is not conducive to a high morale. And I think what has happened on the CN pretty well proves that it could come back again.

Mr. SHERMAN: And you are confident that the spirit and the pride of the CPR railroader working the Dominion Service—if the Dominion Service were restored under pressure from the government—could be restored and encouraged and could find a proper area for fulfillment of itself in the CPR environment?

What I am getting at is, would there be any danger that the Company would be so resentful of the forrader imposed on it by the Government that working conditions could be unpleasant. Is there any danger of that?

Mr. FLEMING: Well, I definitely think it would better the morale. Fifteen submitting this brief with the idea in mind that we think the Company should put this train on to create a few jobs. That is not realistic. We are thinking on the lines of the benefit or harm to the communities. In order to have a good railway business the communities have to progress and expand and the passenger business is their only direct contact with the public. If a good passenger service, both local and transcontinental, was put on, there would be better public relations with the public in general.

Mr. SHERMAN: That is fine, sir. I have one more point. On page two of your brief, in the third paragraph from the top of the page, you say:

Perhaps the time has come when Canadians should insist that if the CPR does not fulfill its obligations then the day of reckoning has arrived. It seems only logical and fair that the CPR should return to Canadians at least the land and royalties received from timber grants, mines, minerals, oil and gas etc.

I assume you are aware of the fact that should that second measure become necessary, it would involve massive dislocation of a great segment of the Canadian economy, and that you would only resort to that kind of precipitous action as a last resort. Therefore the first sentence in that paragraph possibly could be reworded to take on a stronger tenet. I suggest to you that you do not suggest to this Committee that:

Perhaps the time has come when Canadians should insist.

et cetera et cetera but that you suggest to this Committee that the time has come when Canadians, through Parliament, through Agencies such as this Committee should recommend to Parliament and to the Government that the Canadian Pacific Railroad be ordered to live up to its obligations under the contract of 1880.

Mr. FLEMING: Well, we suggest this as a last resort. We are doing the practical work on the railroad and we cannot understand a lot of the moves that the paper railroaders are making. Sometimes we wonder if they are not trying to get out of the railway business completely. And, if things do not change, I think they are going to chase away a lot more than just the passenger business, if they are allowed to carry on as they have in the last ten years.

Mr. BELL (*Saint John-Albert*): Mr. Fleming, with reference to your observation that the Board of Transport Commissioners and the CPR Officials travel on the same train in their own private cars, I am wondering if it would have been possible for them to travel separately or would it not be a fact that they would have to keep their schedules to really be on the same train.

Mr. FLEMING: Well—

Mr. BELL (*Saint John-Albert*): I understand your implications, of course, from a public relations standpoint. I am just wondering if any other travel would have been possible.

Mr. FLEMING: What I am thinking about is that these hearings were held in the principal points, which were large terminals. I cannot see why they could

not travel CN. I just do not think it is conducive to an impartial decision; and we see that in the Kellogg report. They had the Company car and the Company cook and all their means of entertainment and refreshment and they were right together, and their various decisions just seemed to reiterate the Company's stand, all the way through. It just does not seem like an impartial investigation or an impartial decision.

Mr. BELL (*Saint John-Albert*): It might be of interest to point out, Mr. Chairman, in our own situation and so far as this trip out West is concerned, that although we are travelling in private cars of the CPR, this Committee is scrupulous in maintaining an independent position insofar as we pay all our costs.

I am not saying this so much in order to pay tribute to ourselves but to compliment the CPR too, for its remaining aloof from us. We have seen very little of the officials.

Mr. FLEMING: I did not mean to imply that they definitely got together on this, but that possibility was there.

Mr. BELL (*Saint John-Albert*): One other point here, too, was the observation that Mr. Sinclair rather than Mr. Bailey was appointed. I take it you are suggesting we should be more on our guard; in view of the new presidency there will be less emphasis on railway activities in the whole CPR chain because of Mr. Sinclair's lack of full railroading experience.

Mr. FLEMING: Yes I definitely do, because when we had practical railroaders running this railroad we had much better company-employee relations and much better company-public relations. Now we have paper railroaders; first the company-employee relationship started to deteriorate and now the company-public-employee relationships are deteriorating.

Mr. ANDRAS: Thank you Mr. Chairman. Mr. Fleming, Mr. Sherman and Mr. Reid have made a point of this question of employee morale and we have had the impression, right across the country that indeed the state of CPR employee morale is having its effect on the services on the Canadian, let alone the Dominion which has now been discontinued.

Along that line, you are familiar, of course, with the Friedman Report which was just released recently. Are you familiar with the Friedman Report?

Mr. FLEMING: Yes.

Mr. ANDRAS: Would you subscribe to this approach in principle, that the sitting down with the Union executives, very considerably in advance of a drastic change, such as automation or discontinuance of a train like the Dominion, would improve morale?

Mr. FLEMING: I definitely would, but I would like to enlarge on that. One of the gentlemen here suggested that the Unions were preventing the companies from creating savings in certain fields. I do not think it is in the interests of the Unions to do this. But if, as an instance, they were allowed to abandon Kenora as a terminal this week or next week. I cannot see how the company could save money. They have to have that train inspection, they have to have that air brake inspection. If they did not stop at Kenora to replenish the water supply for the steam generators, to supply that train, they would have to stop at Hawk

Lake because they could not go any further; unless they redesign their locomotives.

Mr. ANDRAS: But in the general area, looking to the future of the passenger train service business, you are probably going to have to look at some pretty dramatic improvements in technological handling—automation of some kind—and this always gets into the sensitive area of Union and Management Relationships. Because it could mean temporarily, for instance, the elimination of jobs.

I am simply trying to get at your feeling on whether the application of the principles of the Friedman Report would benefit such a progress. In other words, the Union would go along much more co-operatively if they were consulted well in advance of such changes.

Mr. FLEMING: Yes, any realistic policy. But we do not feel they are developed to the stage where it would save them anything because we can change crews; they are paid on a mileage basis. As long as they are going over one hundred miles, under the contract they have to pay them a hundred miles, anyway. So I cannot see how, in the world, they are going to save anything by eliminating terminals of much over a hundred miles because they can change crews in less time than it takes them to replenish that water alone.

Mr. HOWE (Wellington-Huron): Mr. Chairman, I was rather interested in the remarks Mr. Fleming made in connection with the problems of servicing these diesel locomotives. We all will agree that the diesel and the modern equipment now in use—probably although some of it is not as up to date as it should be—does not require as much servicing as the old steam locomotive did. Is that correct Mr. Fleming?

Mr. FLEMING: That is correct.

Mr. HOWE (Wellington-Huron): As I say, I was just a little disturbed by your remarks in connection with the servicing of these and of the occasion you mentioned when you came in with some matchsticks under the springs of a generator brush. Do you feel that there is proper inspection and maintenance on these trains so that they are not deteriorated to such a state where they might be a hazard to the travelling public?

Mr. FLEMING: I definitely do. If you are driving your car and a gasket goes on it, you go and get that gasket put in. You do not wait until the head splits or something and this is just about what is going on in the CPR.

Mr. HOWE (Wellington-Huron): In other words, you feel that if this situation continues, there could be some breakdowns that might be disastrous to the travelling trains, the personnel and the travelling public?

Mr. FLEMING: No I would not go to that extent, but some of the things they do, so far as maintenance is concerned, does not seem realistic to us.

I can state cases where a 25cent brush at a terminal, if they were following the proper policies, would have saved them \$5,000, and a quarter of a million dollar unit tied up for a week.

Mr. FAWCETT: I just want to get back to this problem of morale and I have just one question; perhaps I will have to ask two. I understand your an engineman, Mr. Fleming are you? Perhaps this could be better asked of a conductor or a brakeman but I think it also applies to enginemen. Do you

not feel with respect to this question of morale that the running trade groups are the most vulnerable of any; that they are the people in between? They get the knocks from the public and they also get the knocks from the other side, when the train is late, or when something happens and this is very conducive to their very low morale. I am speaking as one who has gone through this period of very low morale among the operating groups. Do you think the fact that you are one of the operating groups definitely does make the difference in connection with morale?

Mr. FLEMING: I would not say, because I am a member of the operating groups. You can go to the freight sheds and many other departments and the feeling all seems to be the same. They just cannot give the service to the public that they feel they should be able to?

Mr. FAWCETT: In other words, they could in the past. In other words you would have to include other people that meet with the public agents, even perhaps some of the maintenance staff as well, would you? Or is it all general?

Mr. FLEMING: More among people who meet the public, such as freight crew clerks and so forth, who have to supply cars and service to different local industries, where they are continually getting complaints and they cannot do anything about it under the company policies.

Mr. FAWCETT: That is the point I wanted to bring out, Mr. Chairman.

Mr. OLSON: Mr. Fleming, I have just one question. At the bottom of your second page you say:

last fall an increase in passenger rates almost doubled from our area, to Winnipeg to the Lakehead cities, to confirm a premeditated decision to abandon that as a passenger service.

When you say, "almost doubled the rates", I am wondering what you mean—doubled from what? What is the relationship? Were they doubled from the summer rates or when did this happen?

Mr. FLEMING: It happened in early December, I cannot just place the dates but coach fares were in the neighbourhood of \$11 and \$12 and they were increased to \$21 from Winnipeg to Fort William.

Mr. OLSON: This is the rate that was in effect for November and I presume you are talking about a coach seat fare?

Mr. FLEMING: Yes, that is right. And I believe the berths, and so forth, increased proportionately.

Mr. OLSON: But there was a reduction earlier in the fall, was not there? In September or at the end of September?

Mr. FLEMING: Not to my knowledge.

Mr. OLSON: What you are talking about in the doubling of rates is from what was in effect up to a certain day in December and then they were doubled.

Mr. FLEMING: Yes, that is right.

Mr. BYRNE: Mr. Fleming, about a month ago I said in the House that I was amazed at the situation with respect to labour relations in the Canadian railways. I must say, then, that I am staggered at the situation that seems to be outlined by both you and Mr. Copeland.

Mr. Copeland says that it is a "soulless corporate giant" and you have added, "ruthless". So we have a ruthless soulless, corporate giant." What has the company actually done to bring about this deterioration? You said that 15 years ago the morale was high. What has actually transpired to bring about this situation?

Mr. FLEMING: Namely, up until about 1956 they seemed to be going after the railway business.

Mr. BYRNE: In 1956?

Mr. FLEMING: Yes, they were not trying to get out of it. Workers were advancing in seniority instead of declining. Myself, I am not as far ahead on the CPR as I was 15 years ago.

Mr. BYRNE: Well could this, Mr. Fleming, not be related to the technological developments that are taking place, rather than management indifference? Is that really not the situation?

Mr. FLEMING: It is apparently both. You can take a man on the CN with 10 or 15 years less seniority than myself and he is further ahead, seniority-wise, than I am.

Mr. BYRNE: He is further ahead seniority-wise? Could you tell us why this is?

Mr. FLEMING: I mean in the jobs that he could hold.

Mr. BYRNE: Well, could you give us any reason for this? Is it because they are developing more business?

Mr. FLEMING: This is right. If a railroad has to be built to open up any part of the country, the CN builds it. The CP is abandoning them and curtailing services on their branch lines now. All their passenger services are coming off on their branch lines.

Mr. BYRNE: The CNR is not doing this?

Mr. FLEMING: And for every one of these men coming in from these points, the younger men on the seniority list go down in comparison.

Mr. BYRNE: Is the CNR not abandoning services or railways?

Mr. FLEMING: They seem to be putting on more services.

Mr. BYRNE: Branch line services?

Mr. FLEMING: I could not swear to that, but I know that a man with 15 years service is far ahead of me, seniority-wise, in being able to hold steady jobs as an engineer.

Mr. BYRNE: It was the CNR that was involved in this disagreement which resulted in a wildcat strike with respect to run-throughs, however, was it not? Do you consider there were good labour relations there, in the way that was handled?

Mr. FLEMING: Do you mean on the part of the company?

Mr. BYRNE: On the part of the company, yes.

Mr. FLEMING: No.

Mr. BYRNE: That is all.

The VICE-CHAIRMAN: This has completed your questioning, Mr. Fleming and I want to thank you on behalf of the Committee.

Before calling another brief, I want to put this on the record. Mr. C. N. Cushner, on behalf of the Manitoba Urban Association, will not present a brief. This association supports the brief presented by the province of Manitoba. If this is the wish of the Committee, we could have a little break off for ten minutes and, on our return, we will commence the brief of the Chamber of Commerce of Winnipeg. Is it the wish of the Committee?

Mr. ANDRAS: Mr. Chairman, how many more have we got?

The VICE-CHAIRMAN: According to our list the City of St. Boniface are not here, and I have no brief.

An hon. MEMBER: Mr. Chairman, I suggest we finish up.

The CHAIRMAN: That might be quite wrong. We have been sitting for three hours, and I think a 15-minute break would be in order. Is it the wish of the Committee?

An hon. MEMBER: Mr. Chairman, I move that we carry on.

The VICE-CHAIRMAN: You want to carry on.

An hon. MEMBER: Mr. Chairman, the gentlemen presenting the brief would be just as happy to go ahead with it.

The VICE-CHAIRMAN: I would call upon the Chamber of Commerce. The brief will be presented by Mr. McCormick.

● (5.15 p.m.)

The VICE-CHAIRMAN: Just a minute, you will have it.

An hon. MEMBER: Mr. Chairman, may I suggest we get out of here for a few minutes?

An hon. MEMBER: You will have a few minutes.

The VICE-CHAIRMAN: Order please.

An hon. MEMBER: I would like to suggest that he gets out.

The VICE-CHAIRMAN: It was asked by some of the members, that is why I put the question to the members.

An hon. MEMBER: The members have been going in and out but you have not been able to do that. I thought that somebody would help you.

The VICE-CHAIRMAN: Mr. McCormick will you carry on?

Mr. McCORMICK: Thank you Mr. Chairman. Perhaps I should introduce myself, Mr. Chairman. I am Evan McCormick, the executive director of the Winnipeg Chamber of Commerce and I have with me Mr. V. M. Stechishin, who is the Chairman of the Transportation Bureau of the chamber, and transportation consultant operating in the city of Winnipeg who is well-known across Canada; as well as Mr. Rankin, who is secretary of the bureau.

It is a pleasure, Mr. Chairman, to have the Committee come to Winnipeg and a pleasure to have the opportunity to present our opinions to you. They will

be presented briefly, with reference only to principles, because I think most of what we have to say has been covered in our previous brief to the Board of Transport Commissioners and was argued quite effectively by Mr. Mauro earlier today. I do not think there is any need to go into a great deal of detail.

The Winnipeg Chamber of Commerce is an association of business and professional men and women grouped together for the common purpose of promoting the commercial, financial, professional, educational and social conditions of greater Winnipeg, in particular, and Manitoba and Canada in general.

That is a quotation from our terms of incorporation. It was founded in 1873 and incorporated in 1879 as the Winnipeg Board of Trade. Under that name and its present name it has, over the years, maintained a lively interest in transportation matters and now, with a membership of over 2,400, this chamber represents a broad segment of the greater Winnipeg business community.

In the chamber's brief to the Board of Transport Commissioners on the "Dominion" dated September 27, 1965, we stated that the financial aspects of the proposed discontinuance should be examined on a what-money-can-be-saved basis rather than on an allocated cost basis. And I think Mr. Mauro made it quite evident this morning that we in Manitoba were not satisfied that that was the attitude taken by the board.

Following this examination, we proposed to the Board that the management of the Canadian Pacific Railway be permitted to exercise proper managerial prerogatives in discontinuing this train, unless the Board were satisfied that the public interest required its continued operation.

We further suggested that should the public interest require the continued operation of the train, then the board should urge the government of Canada to provide a direct subsidy for this purpose so that the burden of the loss would not fall on the payers of freight charges.

Now, since the train has been removed, we have no evidence that the removal of the "Dominion" has caused any appreciable inconvenience to Winnipeg, its citizens or enterprises, presumably because Winnipeg is a transportation hub and has a choice of alternative services.

On the other hand, this may not well be the case in all other communities affected. For this reason, the chamber supports the idea that any abandonment of passenger service should receive the most careful study. We are impressed by the recent statement made by Mr. J. H. Richer, vice-president of passenger sales and service, Canadian National Railway, that "passenger trains are a necessity and can be profitable".

There have been many and vast changes in conditions since the contract of 1881 between the government of Canada and the Canadian Pacific Railway, which set out the specific obligations of the company. These are contained in Sections 7 and 9 which read as follows—and I know these have been read at the committee many many times.

The railway constructed under the terms hereof shall be the property of the company and the Canadian Pacific Railway shall become and be thereafter the absolute property of the company and the company shall thereafter and forever efficiently maintain, work and run the Canadian

Pacific Railway. In consideration of the premises the government agrees to grant to the Company a subsidy in money of \$25 million and in land 25 million acres for which subsidies the construction of the Canadian Pacific Railway shall be completed and the same shall be equipped, maintained and operated.

In view of the changed conditions and the growth of competition in transportation, the Winnipeg Chamber of Commerce suggests that Parliament re-examine the agreement and re-define or re-interpret, in the light of present circumstances, the obligation placed on the railway quote:

thereafter and forever efficiently to maintain, work and run the Canadian Pacific Railway

with particular reference to the implications of this phrase with respect to passenger service. With that kind of bench mark established, it should then be possible to appraise, without too much difficulty, the merits of any request for discontinuance, re-instatement or introduction of passenger service.

Respectfully submitted on behalf of the Winnipeg Chamber of Commerce.

The VICE-CHAIRMAN: Thank you Mr. McCormick.

Mr. HOWE (*Wellington-Huron*): Mr. Chairman, I would like to thank Mr. McCormick on this concise and very good brief and to congratulate his organization on continuing to take an interest in matters in the community and in the nation. I was quite interested in paragraph 2 because in the Chamber's brief to the Board of Transport Commissioners on the "Dominion" dated September 27, 1965, we stated that the financial aspects of the proposed discontinuance should be examined on a what money can be saved basis rather than on an allocated cost basis.

Our committee at the present time is in the process of trying to decide whether to hire experts to go into costing. So I imagine you put this paragraph in there to try to indicate to us that this would be a good idea.

Mr. McCORMICK: Well, we certainly believe so. We thought it would have been a good idea for the board to do it but, as Mr. Mauro pointed out this morning, the basis was on allocation of costs, rather arbitrary, on the basis on which any company allocates costs.

You can do all sorts of things with the figures. This morning we were told—I did a little arithmetic as I was sitting there this morning—that only a hundred men were going to be displaced; that their average salaries were \$4,800 for a loss or a saving in labour to the railway of about \$483,000. Then other evidence said that labour saving was 56 per cent of the total saving, which, to me, works out at a total saving of \$862,000, which is quite a bit different from the board's figure of \$3 million or the CPR figure of \$9 million.

Now, I am not suggesting that my figuring is right, nor am I necessarily suggesting, either, that those of the CPR or the board's were. They were the best within the light of what people could do. But without thorough analysis of the basis for the allocation I do not think anyone can say that a particular allocation is right or wrong. And so we felt the Board, to allocate a certain share of maintenance against the "Dominion", does not mean that if you take

the "Dominion" off, that much less maintenance is going to be done. It just means that that maintenance is going to be allocated against other services. So that, while there is a cost to the "Dominion", there is no net saving to the railway by removing the "Dominion". And this, to some extent, can go on in a number of other things.

Mr. HOWE (*Wellington-Huron*): Thank you, Mr. McCormick.

The VICE-CHAIRMAN: Mr. O'Keefe.

Mr. O'KEEFE: Thank you, Mr. Chairman. Just one or two general questions. Mr. McCormick, do you agree with the premise that the consumer should pay for services when this is socially and economically feasible?

Mr. MCCORMICK: The user?

Mr. O'KEEFE: Yes.

Mr. MCCORMICK: Yes.

Mr. O'KEEFE: Well then, do you think the taxpayers, generally, should subsidize local services?

Mr. MCCORMICK: Should they come out of the general revenue?

Mr. O'KEEFE: Yes, rather than some other source.

Mr. MCCORMICK: Well, this is a hard question to answer Mr. O'Keefe. One of our problems—that we find it hard to answer things—is that until the preamble of Bill No. C-120, which got lost in the shuffle, there was never an effort to define a national transportation policy. We had a great many national policies which had some transportation aspect. We asked two Turgeon commissions and we asked the MacPherson Commission to try to define or have Parliament define a national transportation policy. Bill C-120 in its preamble endeavoured to do that and I think it said something to the effect that each mode of transportation should be free to compete and, to the extent possible, the users of that transportation should pay the costs involved.

Now, I would subscribe to that as a principle and I think, when you get down to paying the full cost, it would mean, in other words, how do you allocate the cost of a man going from Brandon to Moose Jaw—is this what you mean—when you are working it in on a transcontinental service? I do not know how you could ever allocate that.

Mr. O'KEEFE: Does your province subsidize any bus service?

Mr. MCCORMICK: No. Sorry, wait a minute, let me come back. We have just had a bill go through the legislature by which the province now gives to metro a subsidy towards urban transportation. Now this is urban transportation and this will be done in any other community but this, I suggest, is distinct from the inter-urban bus service.

Mr. O'KEEFE: Why is it distinct?

Mr. MCCORMICK: Because this is the same problem in Winnipeg that the CPR and the CNR have in the commuter rail service in and out of Montreal and in and out of Toronto. This is a regional problem, I suggest.

Mr. O'KEEFE: Well, I was thinking specifically of Manitoba. Does your province specifically subsidize any bus services in Manitoba?

Mr. McCORMICK: No. Outside of this grant to metro, there is no other subsidy.

Mr. O'KEEFE: Do you think they would consider subsidizing any deficit in this connection?

Mr. McCORMICK: Of other buses?

Mr. O'KEEFE: Any transportation; not necessarily a bus service—any transportation.

Mr. McCORMICK: I think the province has given some consideration to asking to take over the Hudson Bay Railway because this service to the northern part of the province is considered of growing economic importance. Now, I do not think there has been any policy developed; certainly, from a Chamber of Commerce point of view there has been no policy developed. But this is a matter which has been getting some consideration. This is as far as we think we have gone.

Mr. O'KEEFE: Thank you very much, Mr. McCormick. That is a very interesting topic Mr. Chairman, but I pass to some one else.

Mr. SHERMAN: Mr. McCormick in paragraph five of your brief you say that the chamber has no evidence that the removal of the "Dominion" has caused any appreciable inconvenience to Winnipeg, its citizens or enterprises.

This seems to be in contradiction to some of the evidence and some of the arguments that have been presented to this committee. Not only in Winnipeg but across the West, in general, we have met the argument, on many sides, that the cancellation and removal of the "Dominion" passenger service with the freight shipping appurtenances related to it, are having a very harmful effect on the economy of Western Canada. And, since Winnipeg is an integral metropolis in Western Canada, by definition it would seem to me that the economy of Winnipeg would be disrupted. At least, indirectly if not directly.

I wonder if you would elaborate on that contention of yours, sir, and perhaps you could describe to the committee how you measure that degree of convenience or inconvenience; the degree of impact on Winnipeg's economy and Winnipeg society. What method would you have undertaken for measuring the presence or the lack of such an impact and how did you come to this conclusion that it has had no appreciable inconvenience on Winnipeg?

Mr. McCORMICK: I think I should say that that was carefully phrased to say we have no evidence; I am not suggesting there may not be some inconvenience. But our basis is a transportation bureau with 70 odd members, representing the major shipping and receiving firms in Winnipeg, and the fact that with this many members, if there is inconvenience in postal service or other things, we very soon get telephone calls in the chamber. We have had no telephone calls and no one in the transportation bureau has challenged this statement when they got the draft brief. So this is why I say we have no evidence. There may be evidence but we do not have it.

Now, again, I suggest that the situation in Winnipeg is different from that in Regina and Calgary. This is much more of a transportation hub. There are many other kinds to begin with, we have both the CN and CP service, there is lot more trucking in and out, there is air service and for these reasons probably the impact has been less than it has been in other communities.

We felt that, in fairness, we had to say this. We were not looking to see if there was anything but no one complained, and so we have said this. Now, we say that we have no evidence; it does not mean that there may not be some, but we know of none. Does that explain this?

Mr. SHERMAN: Yes it does, thank you Mr. McCormick. I admire your honesty and the candid and reasonable approach that the Winnipeg Chamber of Commerce has brought to this issue.

I think you would agree with me, though, that it is in contradiction with a considerable amount of the arguments that have been advanced to this Committee and other bodies investigating this question.

Mr. McCORMICK: Well, I agree that it is at variance with what others have said. I think that throughout the piece the "Dominion" has been of not too much importance to Winnipeg since the "Canadian" went in effect.

Mr. SHERMAN: This is partly because of the time limit.

Mr. McCORMICK: No, I remove all the reference to the head-end.

Mr. SHERMAN: You make no specific reference anywhere to the tourist industry.

Mr. McCORMICK: No this was a fairly important passenger traffic from Winnipeg westward. Mr. Ian Wahn, of the CPR, during the inquiry testified that there was a fair volume of tourist traffic originating in Winnipeg and coming from south. Now some of this may have come up on the Great Northern, the Northern Pacific or on bus routes or by car from the Dakotas and Minnesota; people who came here and then took a train to go to the Rockies, and so on, but we have no figures to indicate what that volume was nor what dislocation there might have been.

We did also have a few through tourist trains that came up on the Sault line through here, were serviced here and went on westward, but these were really special trains rather than regularly scheduled ones, and I have no idea what the volume was.

Mr. SHERMAN: In the Appendix to the brief submitted by the Province of Manitoba, figures are given for the totals of revenue passengers carried on the "Dominion" by conductors run in the year 1964 out of Winnipeg east and west to Brandon and Fort William. The break-down is there for those particular sectional runs. The combined figures for Winnipeg Fort William and Winnipeg-Brandon, going both ways, exceed a hundred thousand persons by some considerable margin—in fact they come to somewhere around one hundred and fifty thousand people.

Would your investigations have disclosed the manner in which these one hundred and fifty thousand people are travelling in and out of Winnipeg now?

Mr. McCORMICK: I do not know Mr. Sherman.

Mr. SHERMAN: One other point Mr. McCormick. On the final page of your brief you refer to the establishment of a bench-mark. The definition of the obligations of the railroad under the contract of 1880 and the Statute of 1881. This, of course, is at the nub and the crux of the whole issue, really—the morale

and legal interpretation of the controversial clause charging the CPR with he responsibility of

forever thereafter efficiently maintaining working and running the Canadian Pacific Railway.

Does the chamber have any suggestion on how that controversial clause should be interpreted?

Mr. McCORMICK: Let me consult, I am not sure. No, I do not think so, Mr. Sherman—there has been no policy developed on that score.

Mr. SHERMAN: You do not necessarily subscribe to the interpretation placed upon it by the province of Manitoba?

Mr. McCORMICK: Not necessarily, nor the city of Winnipeg, nor by the CPR nor either one. We feel that the responsibility lies with Parliament now, to decide what that means. And we did suggest that if, beyond that responsibility, there is need in the public interests, for additional passenger service, then this should be subsidized out of the general revenues of the country or probably by some arrangement with the province or regional people, but that it should not be levied against the freight users.

Mr. SHERMAN: That, of course, is the position of the province, too.

Mr. McCORMICK: Yes, we are alike in that position.

Mr. SHERMAN: Thank you, sir.

Mr. HYMMEN: Mr. McCormick, in your answer to a previous question you mentioned that a subsidy of the bus service on a local or regional basis would parallel some initiation of powers in the province of Ontario regarding commuter trains. Would you agree that this was possibly to avoid other problems regarding increasing vehicular traffic and highway construction?

Mr. McCORMICK: If you want to increase your basis for assistance in building throughways. It is a less expensive way of getting people in and out of the city.

Mr. HYMMEN: Thank you. Another question. Yours is a very short and concise brief but I suggest there is considerable meat in it. In Section 3 on Page 1, it had already been admitted that the Board of Commissioners in their jurisdiction did not have the right to investigate the public interest but you suggest in regard to the discontinuance of the "Dominion" and, I presume, any future trains, that managerial prerogatives be allowed,

unless the Board was satisfied that the public interest required its continued operation.

This is a very weighty sentence. How would you determine public interest? Might I suggest that an honest effort to provide a service—and there is some indication that an honest effort on the part of the CPR was not undertaken—would that be one way of determining public interest? Or would you have other ways of determining public interest?

Mr. McCORMICK: The transport board has to determine the answer to that phrase of public convenience and necessity, and this becomes a very difficult thing to do in the cases where we have been before the Board of Transport

Commissioners ourselves. This becomes something in which, in various cases we have had opinions on what they should be, but it has really been a matter for the Board, with the assistance of experts, to determine just what obligations are involved in that phrase.

Mr. HYMMEN: It has been suggested that there be public hearings. Well, I know from my own experience, there have been any number of ideas on what should be provided and we certainly cannot provide transportation for one individual. There must be some guide line somewhere that could be used.

Mr. McCORMICK: The contrast we find, in looking at the I.C.C. is that it has a panel of acknowledged transportation experts and when someone wants to introduce a new service or abandon one or change it, an examiner looks at it. He is the servant of the I.C.C. and he makes a recommendation. This is done by an impartial technical expert. The I.C.C. then weigh that evidence against the application of the carrier, so that they have something.

Now we do not have that. The Board of Transport Commissioners is just not equipped to do that. We spoke about this this morning. This is one of the weaknesses, that it has become a matter of the board trying to arbitrate and, in many cases, trying to draw a line down the middle; to reach a decision by compromise rather than by some impartial weighing of all the evidence.

Mr. HYMMEN: I would like to pursue this a little further. I know it has been suggested that we in Canada, with twenty million people, should not compare ourselves with the United States, which has two hundred million, but what is the composition of the I.C.C., I mean generally? Does it have a large staff or qualified transportation people?

Mr. McCORMICK: I think maybe Mr. Stechishin, our expert, can give us a little closer answer on that.

Mr. V. M. STECHISHIN (*Chairman, Transportation Bureau, Chamber of Commerce*): I do not have the numbers, but it is a large staff.

Mr. McCORMICK: A large staff—and some very involved studies come out.

Mr. HYMMEN: Do you have to take into consideration rail, highway, air transit, water transit and everything else?

Mr. McCORMICK: Not air, no. I am not sure about water. I know they are not under their control. They have water, yes, and highways.

Mr. HYMMEN: They consider the relationship of water rates and highway rates?

Mr. McCORMICK: Yes.

Mr. HYMMEN: Thank you.

Mr. CANTELON: We were pretty well emasculated in our questions by Mr. Sherman, but that is natural. Since he lives here I think he should ask the questions. There are a couple of points, however, left. In the two main arguments that Mr. Mauro presented to us this morning there was a sort of a subsidiary one in which he said that the west is much more interested and more concerned with railway operations and the obligations of the railroad than any other section of the country. I would judge that you would agree with that too.

Mr. McCORMICK: I would say that the feeling, from my experience in the maritimes, is just about as lively and as spirited.

Mr. CANTELON: I certainly know that always stirs the maritimes up when I put it that way. There is one little point in the questions that Mr. Sherman was asking on page two, paragraph five. I wonder if Winnipeg, being a transportation hub, and quite a large city too, would notice the few hundred people that the "Dominion" does not bring now.

Mr. McCORMICK: I do not know. I am afraid I cannot answer that. I would imagine that most of the people that used "The Dominion" from and to Winnipeg are still travelling from and to Winnipeg.

Mr. CANTELON: At a great deal more convenience, but still travelling.

Mr. McCORMICK: I do not know how much more. I have no measure, probably.

Mr. CANTELON: There is just one other thing I would like to ask and I have asked this a number of times. It has to deal with the CPR's definition of effective demand. Since you are a board of Commerce and consequently somewhat interested in economics, I wonder what you think of their definition of the demand for a service at prices which meet the cost of providing that service?

Mr. McCORMICK: Well, only if the price is competitive. I think there must be an element of a competitive price for you to realize what the effective demand is. I do not think we would completely accept the CPR definition. I think we are in a mixed field, in transportation in Canada. It has never been completely private enterprise and never been completely government, since the very earliest days of the country, long before Confederation. We have been in the business of subsidies, underwriting and guarantees. Very definitely, in the old days of railway monopoly, when someone got a franchise, then they took on obligations and as a protection, they had to submit to Government regulation and control. The effective demand became less and less effective. To that extent that we have disturbed this, over the many years, I do not think you can measure effective demand today simply on a price and quantity basis in relation to passenger travel.

Mr. CANTELON: But the point is at least to me, it seems that they are measuring this effective demand by, in effect, saying "we are carrying a 150 people on this train, therefore that is the effective demand."

Mr. McCORMICK: I do not think we accept this definition. I do not know that I could offer an alternative one.

Mr. CANTELON: Fine, thank you.

Mr. OLSON: Mr. McCormick, in paragraph 8, you talk about changed conditions and the growth of competition in transportation, and you suggest that there should be some re-examination of the agreement, redefinition or re-interpretation, or whatever it is. Are you, in effect, saying that the paramount requirement in a national transportation policy should be this re-interpretation according to the 1966 requirements?

Mr. McCORMICK: Do you say "the" paramount or "a" paramount?

Mr. OLSON: A paramount?

Mr. McCORMICK: I think it is an important consideration. I think much more important and basic is the determination of a national transportation policy, of some relationship between all these governmental policies affecting transportation and how we tie together our policies on water, rail, air, inter-provincial trucking, bus service, and so on. And then if we proceed from our policy to examine an agreement and try to interpret what is required in the light of today's conditions, I think we can get somewhere. But without some basic principles to start with, I do not know how we can reach that point.

● (5.45 p.m.)

Mr. OLSON: Do you think perhaps, then, that parliament should undertake to determine what are our requirements and include this in a national transportation policy and then look at the agreement to see how far—

Mr. McCORMICK: These two can go on concurrently but I do not think you can have one completely without the other.

Mr. OLSON: I see. I think that is all, Mr. Chairman.

Mr. ANDRAS: My question is along the same line, Mr. Chairman. Mr. McCormick, you have mentioned, with some enthusiasm, I detected, the preamble to the proposed now dead Bill No. C-120. In so far as it tried to lay out a national transportation policy—and Mr. Olson has got some of your attitude on that—going further, would you advocate the establishment of a much broader national transportation board with jurisdiction and authority to say allocate forms of transportation for a given region, community province, or something like that? In other words, to say to a community such as Virden, or one of the smaller ones: "Well, you have so many people, so many people travelling, you have such a requirement for passenger service, you can have roads, which involves both buses and private car transportation, and you can have rail of this nature, but you cannot have air at this stage. Could you see a board having that much power at the national federal level?

Mr. McCORMICK: I do not think this is feasible because you are running across provincial and federal jurisdictions.

But on this business of some sort of super board, we have taken the stand, in the past, before the Turgeon and the MacPherson commissions and there has been no change in this basic policy that we wanted to see a lot more integration among the various boards but we did not want a super board that controlled everything. Now some sort of integration within the Department of Transport; perhaps something of the nature Mr. Mauro suggested, such as a transportation council, which would be an advisory body to these regulatory groups. But, at the minute, might be acceptable our policy is not in support of one over-all regulatory authority.

Mr. ANDRAS: You are not in favour of a policy-making board but rather in favour of just an advisory council?

Mr. McCORMICK: Yes. This would be an advisory council.

Mr. ANDRAS: Thank you.

Mr. PASCOE: Mr. Chairman, my questions are mostly on paragraph 5, but they have been pretty well been answered, except that Mr. McCormick men-

tioned something about time scheduling. Is it a fact that the "Canadian" arrives here at a very suitable time in the morning, from the west going east, and also at a fairly good time from the east going west, in comparison to what the "Dominion" did? Does that have something to do with your—

Mr. McCORMICK: It is a factor. At one time the "Dominion" was, in my book, a preferable train with which to go east. It took two nights, but it got me into Ottawa or Montreal or Toronto in the morning, while the "Canadian" left at noon and got me in the following night, which meant I had a hotel bill and no time saved and lost half a day here. So that the actual hour at which it goes by does not matter. But with the removal of the sleeping accommodation, there was no diner between here and the Lakehead, so that it became the sort of train that very few people wanted to travel on.

Mr. PASCOE: We are not considering that sort of train, we are considering the poor consist compared with what we used to have; the diners and sleepers et cetera.

Mr. McCORMICK: Back to that, I do not know how the business would be divided. Certainly on overnight accommodation between here and the lakehead it could offer some services.

Mr. PASCOE: Take my own city, Moose Jaw, for example. Would you consider that they have some sort of a grievance when the "Canadian" goes through very very early in the morning?

Mr. McCORMICK: Certainly you have, in those cases.

Mr. PASCOE: Just one more question then. You said you had no evidence of appreciable inconvenience to Winnipeg, but you say on the other hand this may well not be the case in all other communities affected. Then you suggest that a full and careful study of the whole situation is made.

Would you consider that the social and economic effects on the communities by curtailed passenger service should be one of the main considerations of this Committee?

Mr. McCORMICK: Certainly of this committee, yes.

Mr. PASCOE: Thank you.

Mr. BELL (*Saint John-Albert*): Mr. McCormick, I would like to ask one or two questions that might give us some assistance on how businessmen, generally, are thinking. I note in your brief that you would not be adverse to a government subsidy if it were necessary to continue operations for the "Dominion", particularly because of your worry that there might be an effect on freight charges.

Would you care to express yourself on whether you would agree with the statement that some have made, in particular the province of British Columbia, that they are not unconvinced that some of the cost of unprofitable passenger operations should come out of non-rail revenue of the company?

Mr. McCORMICK: Out of non-rail revenue?

Mr. BELL (*Saint John-Albert*): Yes, I think what I am asking is before there is a subsidy, would you examine the possibility of requirements?

Mr. McCORMICK: This, we suggest, is the reason for examining the CPR's obligations under the contract. This may well be that the CPR's obligations under the contract require the operation of some minimal passenger service subsidized out of non-rail revenues but not from freight revenues.

Mr. BELL (*Saint John-Albert*): I see. In other words, you agree with Premier Robin's statement that they cannot maintain that they are a dual corporation and separate the two fully.

Mr. McCORMICK: That is right.

Mr. BELL (*Saint John-Albert*): Well, one final question then, Mr. McCormick. Do you, as a businessman, think that if we did grant the CPR a subsidy to operate some passenger services that are necessary to be maintained in the national interest, there would be greater pressure on the Canadian Pacific to maintain services in so far as the public is concerned?

Mr. McCORMICK: If you grant them the subsidy. We are always reluctant, in the Chamber of Commerce, to endorse subsidies because they become the stepping stone for higher demand, they become a shield for inefficient operation and there are lots of things against subsidies. But if some sort of subsidy is granted because, in the national interest uneconomic passenger service must be maintained, then there must be some sort of supervision and control to see that that passenger service is operated in the most efficient manner possible. I do not presume to tell you how it can be done but it is one of the real difficulties involved in any plan of subsidization, I agree there.

Mr. BELL (*Saint John-Albert*): Thank you very much.

Mr. MacEWAN: I just want to ask Mr. McCormick one question. I think I have the right interpretation from questions asked by Mr. Olson of Mr. Danzker, the chairman of the Finance Committee of the city of Winnipeg. As I understood it, the number one submission of the city was that "The Dominion" should be restored but, failing that, that "The Dominion" should be put in service during the tourist season and then, for the balance of the year, be supplanted by the dayliner service. Have you any final comments to make on that, Mr. McCormick?

Mr. McCORMICK: I would not want to make much comment. I think I would like to know what is happening on this "Rapido", is it, between Montreal and Toronto? Someone would have to look a lot more closely into dayliner service.

I think the future suggests that we are going to probably require rapid inter-city rail service but maybe not transcontinental railway service and the best answer might be a series of dayliners between the cities across the prairies. But I do not know. This is something that, again requires the study of transportation experts. Maybe Mr. Stechishin would like to add something to this.

The VICE-CHAIRMAN: Thank you Mr. MacEwan. Mr. Reid, a short question?

Mr. REID: Yes, just one question. Following Mr. MacEwan's line of reasoning, I see that you have a statement on page 2 by Mr. J. H. Richer, vice-president of the CNR, that passenger trains are a necessity and can be profitable.

Do you happen to recall the context in which this statement was made?

Mr. STECHISHIN: I am afraid we do not. I got that statement from a press release of the Canadian National. I would have to dig it out, I do not have it with me, unfortunately.

Mr. REID: The reason I wanted you to do that was because my impression is that this was a statement made in connection with intercity transportation down east, where there is a high density of population, and particularly with the "Rapido". I just wanted to bring that out. That is fine, Mr. Stechishin.

Mr. STECHISHIN: That is my impression; as I recall, he was talking about passenger services, generally, but I could be wrong.

The VICE-CHAIRMAN: I think this completes our hearing for today and the hearing for the Chamber of Commerce and I would like to thank you very much.

In concluding this meeting I would like, on behalf of the Committee, and myself, to extend my thanks to the government of Manitoba. And I would like also to extend the same thanks to every one of you who presented a brief here today. Thank you very much and I would like also to extend my thanks to the press.

Mr. ANDRAS: Mr. Chairman, may I talk just a bit about the arrangement for Port Arthur?

The VICE-CHAIRMAN: Yes.

Mr. ANDRAS: Gentlemen, there is a cocktail party and short tour laid on for Sunday afternoon. There is a civic luncheon on Monday. Now, I can make arrangements to supply you with three or four automobiles Saturday night. I am leaving in a few minutes to go down by air and I can arrange for two or three automobiles for you for tomorrow evening at no cost, if you would like to have them, to meet you at the train. I think it is about eight or nine o'clock. You leave tomorrow at 11.30 and I think you get in at 8.0 or 9.0—it depends on the time change.

The VICE-CHAIRMAN: According to the clerk, I think we are leaving at 11 o'clock. We arrive in Port Arthur at 8.05 tomorrow night—on time. So we will get together tomorrow, Mr. Andras. Furthermore, for those people who want to go back to the train to have their supper, it is up to you. If you would rather go to the restaurant, we are willing to give you some money to have a free lunch tonight outside of the train. So those who would like to have a meal outside the train, would you please go to the cashier and he will give you some money.

Mr. ANDRAS: The Lakehead Harbour Commission would like to extend you their facilities on Sunday, before the cocktail party and tour. I told them to make no arrangements for early in the morning, anywhere, anytime, for any purpose. So I suggest about 11 o'clock or 12 but I can make it 1 o'clock if you want. The boats can take ten people at a time. First would you like to do it and second, what time? It seems agreed for about 11 o'clock but I will confirm this tomorrow night.

APPENDIX "X"

Mr. Chairman and Members of the Commission.

The undersigned is representing the views of the employees and ex-employees of the CPR at Mile 19, Sherwood Lake, Ontario, who by this cancellation of train services by the said CPR are denied the privilege of going to and from their camps. There are twenty-two campers afflicted by this condition because of no other means of transportation. When these cottages or camps were built, we had then use of the Dominion and also the Kenora Local Nos. 505 and 506. So now we are left stranded, and our investments also, which amount to several thousand dollars.

We people of this associatin have appealed to the said CPR for some kind of service but to no avail. So this means a loss of all our hopes and ambitions in our declining years. Some of us are veterans of the first World war and have served their company for over forty years. Sure we have a pass issued for 1966 and 1967 but what does that mean with no passenger or freight service.

Some places are serviced by a road but not we. We have appealed to the Ontario Minister of Highways for a road, but he says there is no revenue there, i.e. he means to build a road, but we know that the Minister of Lands and Forests has refused application for camp sites, and there is vacant property. Beautiful locations to be had.

We know that the employees of the CNR have been assured of transportation to Minaki and points thereto. For the long week-end, May 20 to 24.

Are we CPR Ex-employees, Canadian citizens or what are we? A question: Is it true that the Company receives Tax Concessions on passes? They should not.

Thank you, Mr. Chairman and Members of the Concession representing Members of Sherwood Lake Campers' Association.

P.S. Since writing this Brief, I have been informed that the Canadian will stop at Sherwood Lake on the Twentieth of May, east only.

J. E. McWilliam.

APPENDIX "Y"

Extract of brief submitted by Mr. R. B. Copeland on behalf of Transportation Employees' Union.

Bottom of page 2

	<i>Regina</i>	<i>Calgary</i>	<i>Edmonton</i>	<i>Vancouver</i>	<i>Fort William</i>
<i>Air Fares:</i>					
One way economy .	\$23.00	\$43.00	\$43.00	\$ 63.00	\$27.00
Round trip economy	46.00	86.00	86.00	126.00	54.00
<i>Greyhound Bus Fares:</i>					
One way	\$10.90	\$14.75	\$14.75	\$ 23.25	\$11.25
Round trip	19.65	26.55	26.55	41.85	20.25

Canadian Pacific Railway Fares:

	<i>Regina</i>	<i>Calgary</i>	<i>Edmonton</i>	<i>Vancouver</i>	<i>Fort William</i>
Coach class (no meals)					
One way	\$15.25	\$20.00	\$20.00	\$ 32.00	\$21.00
Round trip	30.50	40.00	40.00	64.00	42.00
First class (inc. lower berth & meals)					
One way	24.25	32.50	32.50	53.00	33.50
Round trip	48.50	65.00	65.00	106.00	67.00

Canadian National Railway Fares:

		<i>Regina</i>	<i>Calgary</i>	<i>Edmonton</i>	<i>Vancouver</i>	<i>Fort William</i>
Coach class (no meals)						
One way	Red	\$ 9.50	\$15.00	\$15.00	\$24.00	\$ 9.00
	White ...	11.30	17.50	17.50	28.00	10.50
	Blue	13.00	20.00	20.00	32.00	12.00
Round trip	Red	19.00	30.00	30.00	48.00	18.00
	White ...	23.00	35.00	35.00	56.00	21.00
	Blue	26.00	40.00	40.00	64.00	24.00
Tourist (inc. lower berth & meals)						
One way	Red	15.50	23.00	23.00	37.00	—
	White ...	17.30	25.50	25.50	41.00	—
	Blue	19.00	28.00	28.00	45.00	—
Round trip	Red	31.00	46.00	46.00	74.00	—
	White ...	35.00	51.00	51.00	82.00	—
	Blue	38.00	56.00	56.00	90.00	—

Firt class (inc. lower
berth & meals)

One way	Red	17.50	27.00	27.00	42.00	—
	White ...	19.30	29.50	29.50	46.00	—
	Blue	21.00	32.00	32.00	50.00	—
Round trip	Red	35.00	54.00	54.00	84.00	—
	White ...	39.00	59.00	59.00	92.00	—
	Blue	42.00	64.00	64.00	100.00	—

APPENDIX "Z"

GLOBE AND MAIL

Friday, May 13, 1966

CNR, UNIONS HOLD SECRET PARLEY ON CREWS FOR PROPOSED JET TRAIN

By ROBERT RICE

Globe and Mail Reporter

MONTREAL—Operation of a proposed turbine-powered supertrain between Toronto and Montreal is being discussed at secret negotiations between the Canadian National Railways and the leaders of the operating trades unions.

The CNR is trying to win an advance agreement from union leaders to reduce the size of the crew of the jet train and to run it non-stop between the two cities.

But whether it gets this agreement or not, the publicly owned railway is expected to announce next week that it will place a \$10,000,000 order for five of the streamlined seven-car trains in time for operation early in 1967.

It will still have almost a full year to achieve new crew and operating rules before the train goes into service to handle Centennial-year travel.

Operating at 100 miles per hour and more, the train could cut at least one hour from the present running time of four hours and 59 minutes on the 335-mile run between Toronto and Montreal. With further improvements of track, signals and highway crossings, the running time could be clipped even further, but the extra costs may outweigh the benefits.

The railway, arguing that the new train represents a technological breakthrough for passenger operations, contends that one engineer could operate it—compared with a five-man crew required by existing union rules on a conventional eight-coach passenger train.

The CNR also wants to operate the train without stopping at Belleville and Brockville to change engineers—as it is required to do now on its present Rapido trains between Toronto and Montreal.

To allay public fears about a single engineer at the controls of the high-speed train, the CNR is willing to put two engineers in the cab, but it wants to eliminate the conductor and the two trainmen.

If tickets could be collected from passengers before they board the train—in the same way airline passengers are cleared before flight—the duties of the conductor would be eliminated. In the same way, the CNR feels that trainmen would not be needed on a non-stop operation.

Although the conductor and trainmen would be eliminated, they could be replaced by other employees who would act as stewards or hosts.

The issues surrounding the introduction of the trains are similar to the railway disputes over the elimination of firemen from diesel engines several years ago, and last year's attempt by the CNR to run trains through terminal points in Ontario and Alberta.

Both disputes led to strikes and to the appointment of government inquiries.

The jet train was designed by United Aircraft Corporate Systems Centre, a division of United Aircraft Corp. in the United States. It would be powered by gas-turbine engines manufactured by United Aircraft of Canada Ltd., Montreal.

The manufacturer says the train is stronger, lighter, faster, quieter, smoother and more reliable than conventional trains—and cheaper to run.

APPENDIX "A-I"

Extract from the brief submitted by the town of Kenora, Ontario. p. 4.

MECHANICAL DEPARTMENT AT KENORA

A ten year survey of the mechanical department at Kenora reveals that automation, dieselization and service curtailments have resulted in a drastic reduction in staff to a bare minimum.

<i>Classification</i>	<i>Jan. 1955</i>	<i>Jan. 1966</i>	<i>Classification</i>	<i>Jan. 1955</i>	<i>Jan. 1966</i>
Machinists	18	1	Machinist Helpers	11	0
Boilermakers	5	0	Boilermaker's Helpers .	8	0
Blacksmiths	1	0	Labourers	31	10
Carpenter	1	0	Stationery Fireman ...	4	0
Electrician	1	0	Foreman	6	4
Pipefitter	1	0	Clerks	2	1
Welder	1	0	Call Boys	3	0
Tender Truck Repairer	1	0	Wipers	12	0
Machinist Apprentices .	3	0	Hostlers	4	0
Boiler-Krs Apprentices	1	0	Diesel Maintener	0	1
				<hr/>	<hr/>
				114	17

HOUSE OF COMMONS

First Session—Twenty-seventh Parliament

1966

STANDING COMMITTEE

ON

TRANSPORT AND COMMUNICATIONS

Chairman: Mr. JOSEPH MACALUSO

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 15

MONDAY, MAY 16, 1966

Port Arthur, Ont.

Respecting

The subject-matter of the adequacy of the present program and future plans for passenger service on the lines of the Canadian Pacific Railway.

WITNESSES:

From the Township of Ignace, Ontario: Mrs. I. Neale, Councillor, and Messrs. D. S. McNabb, Reeve; M. S. Humphrey, Councillor, and Messrs. David Thomson, City Planner, Fort William, Ontario; E. E. Clow, President, *Lakehead Chamber of Commerce.*

ROGER DUHAMEL, F.R.S.C.

QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1966

STANDING COMMITTEE
ON
TRANSPORT AND COMMUNICATIONS

Chairman: Mr. Joseph Macaluso

Vice-Chairman: Mr. H-Pit Lessard

and Messrs.

Andras,	Horner (<i>Acadia</i>),	Reid,
Ballard,	Howe (<i>Wellington-</i>	Rock,
Bell (<i>Saint John-Albert</i>),	<i>Huron</i>),	Saltsman,
Boulanger,	Hymmen,	Sherman,
Byrne,	MacEwan,	Southam,
Cantelon,	McWilliam,	Thomas (<i>Maisonneuve-</i>
Caron,	O'Keefe,	<i>Rosemont</i>)—(25).
Carter,	Olson,	
Fawcett,	Pascoe,	

(Quorum 13)

Maxime Guitard,
Clerk of the Committee.

MINUTES OF PROCEEDINGS

MONDAY, May 16, 1966.

(29)

The Standing Committee on Transport and Communications met at 10:00 o'clock a.m. in the Council Chamber of the City Hall, in Port Arthur, Ontario. The Vice-Chairman, Mr. Lessard, presided.

Members present: Messrs. Andras, Bell (Saint John-Albert), Boulanger, Byrne, Cantelon, Caron, Carter, Fawcett, Howe (Wellington-Huron), Hymmen, Lessard, MacEwan, McWilliam, O'Keefe, Olson, Pascoe, Reid, Rock, Serman and Thomas (Maisonneuve-Rosemont) (20).

In attendance: Messrs. David Thomson, City Planner, City of Fort William, Ontario; E. E. Clow, President, Lakehead Chamber of Commerce. *From the Corporation of the Township of Ignace, Ontario:* Mrs. I. Neale, Councillor and Messrs. D. S. McNabb, Reeve and M. S. Humphrey, Councillor.

The Committee resumed its consideration of the subject-matter of the adequacy of the present program and future plans for passenger service on the lines of the Canadian Pacific Railway.

The first witness to be called upon was Mr. Thomson, who read a brief on behalf of the cities of Fort William and Port Arthur, Ontario, and was questioned thereon. His examination being completed, he was thanked by the Committee, through the Vice-Chairman and he retired.

The next witness called was Mr. Clow, who read a brief on behalf of the Lakehead Chamber of Commerce, and was questioned thereon. The Committee having concluded its examination of Mr. Clow, the Chairman thanked him and he retired.

On motion of Mr. Fawcett, seconded by Mr. Rock,

Resolved unanimously.—That the brief submitted by the Sudbury and District Chamber of Commerce be printed as an appendix to this day's Minutes of Proceedings and Evidence, and that all references made in the brief to "The Board of Transport Commissioners" should read "The Standing Committee on Transport and Communications" (*see Appendix A-2*).

On motion of Mr. Caron, seconded by Mr. Bell,

Resolved.—That the brief submitted by the Northwestern Ontario Regional Committee of the Communist Party of Canada be filed with the Clerk of the Committee.

The next witness to be called was Mrs. Neale. She read a brief on behalf of the Corporation of the Township of Ignace, Ontario and was questioned thereon, assisted by Messrs. McNabb and Humphrey. The Committee having completed

its examination of the witnesses, they were thanked by the Vice-Chairman and retired.

On motion of Mr. Thomas, seconded by Mr. O'Keefe,

Resolved unanimously,—That the brief submitted by the Fort William Women's Progressive Conservative Association be printed as an appendix to this day's Minutes of Proceedings and Evidence (*see Appendix A-3*).

The Vice-Chairman, as well as Mr. Andras, expressed the Committee's thanks to all those responsible for a very pleasant stay in Port Arthur and Fort William.

The Committee having concluded its hearings outside the precincts of Parliaments, at 12.30 o'clock p.m., the Committee adjourned to the call of the Chair.

Fernand Despatie,
Assistant Clerk of the Committee.

EVIDENCE

(Recorded by electronic apparatus)

PORT ARTHUR, Monday May 16, 1966.

● (10.00 a.m.)

The VICE-CHAIRMAN: Gentlemen, I see a quorum. Before we start, is there anyone else in the room that has a brief to present? I have been handed an exact copy of a brief which was presented to the Board of Transport Commissioners' hearings last year.

As you know, our time is pretty well limited. The city of Port Arthur has invited us to lunch at twelve-thirty and, as you all know, we have to leave this city and be at the airport at four o'clock. I would ask members of the Committee and those who have briefs to present to be as brief as they can because our time is pretty well limited.

The first brief will be presented on behalf of the cities of Port Arthur and Fort William. I will call upon Mr. Thomson to present this brief.

Mr. DAVID THOMSON: Thank you Mr. Chairman. Mr. Chairman and honourable members, the Councils of the cities of Fort William and Port Arthur support the representation being made to the standing Committee on Transport and Communication by other communities and agencies against curtailment or abandonment of passenger and express rail services. This protest is specifically directed against removal by the Canadian Pacific Railroad of trains number three, four, thirteen and fourteen, known as the Dominion.

It is an accepted fact that the population of this country is growing and that a goodly portion of these people are on the move for one reason or another. There can be no doubt that an attractive, efficient and serviceable mode of transport should be reaping its share of the business created by this movement, and the curtailment of such a major segment of the national passenger service would seem to be the result of a very short-sighted view. It is argued that the CPR will still maintain its other transcontinental train, the Canadian, but this only underlines the fact that the railways total passenger and express service will be reduced fifty percent. Accommodations will be sold, of course, on a first come, first serve basis and an apology by the ticket agent to the late comer who was unable to book space weeks ahead. Meals and refreshment service are now being overtaxed to the point of complete frustration to both passenger and train crew members. Schedules will be fixed to the railroad's necessities in operating one train and not to the passenger needs or desire. The Canadian has already shown signs of its capabilities being obtained by passengers driven from the Dominion. Express service in fresh or frozen commodities and delivery of critical parts or materials for industry is fast becoming obsolete insofar as rail traffic is concerned. It appears that more and more of the passenger transport area is being forced over to other means of travel and, unfortunately, in this community we are not blessed with the mainland Canadian National Railways

service. Bus travel appears to be the short haul mode of transport which has cut into branch line passenger traffic. Express service and comfort are of necessity restricted and meals, refreshments and sleeping accommodations are not suited to long haul trips. The private automobile is also restricted to the more leisurely summer time holiday trips other than those of short mileage. The stress of high speed driving together with problems of overnight accommodation, meals, rest and refreshment make driving somewhat unattractive to a good many travellers. The Trans-Canada highway is still, and will remain for considerable time quite a fearsome adventure to those travellers whose members include the very young, the handicapped or the elderly. Twice during the past winter, portions of the Trans-Canada and the international highways were impassable. The risk is especially related to this area where a breakdown during extremely cold weather could mean life or death within a few hours.

It would be redundant for this brief to recount to members of parliament events happening within the last year which signal the increased tempo of development in this country. This community and the area have been trying with every conceivable effort at its disposal to participate in this development. The retention and promotion of all transcontinental railway passenger and express services operating on customer oriented schedules is a vital necessity for a country such as Canada, and particularly for this locality. The railroad is an ideal carrier, flexible to almost daily varying demands in traffic volume and accommodation. It is serviceable in the ability to provide regular, dependable schedules of operation unaffected by any kind of weather short of paralysing proportions. The reduction of any part of the transcontinental transport system could be a serious and marked deterrent to those investing, migrating or simply touring in this or any part of Canada. The railway has made much in its argument of the imbalance between operating revenues and costs, as they pertain to the Dominion. It is respectfully suggested that, as the honourable members well know, it would be an utopian situation where every large company, every municipality and every government were able to operate all its departments and responsibilities at a profit. The Canadian Pacific Railway has many areas of profitable returns, some of which were bestowed upon the company by this country as part of a carefully bargained agreement.

In conclusion and by way of an illustration as to the excellent service given to this particular community in the past by the Dominion and the Canadian, it must be pointed out that the two trains have been found a very convenient mode of travel by businessmen, including managers of local branches of Toronto based firms, civic officials, students, visitors, medical patients, and many others in planning their Toronto or Ottawa trips. The Dominion, fully equipped and providing excellent accommodations, left the Lakehead about 6:30 a.m. and arrived in Toronto at 7:00 a.m. the following morning. A counterpart arrived in Ottawa at the same time. This schedule gave the traveller an opportunity to relax, prepare business and have a restful night's sleep during the trip East. The Canadian left Toronto at the close of the business day and arrived back at the Lakehead at 2:45 p.m. well before closing hours on the following day. Similarly, the overnight trip to Winnipeg, arriving in the morning and leaving that evening for the Lakehead, without the necessity of stopover accommodation, provided excellent service and advantage to local people.

Thank you gentlemen for your attention.

The VICE-CHAIRMAN: We want to thank you Mr. Thomson for your well prepared brief. I hope you will allow some of the members to ask you a few questions.

Mr. FAWCETT: Well I have only a very few questions. This period of the year is generally slack; would you say at this time there is sufficient rail passenger business for both the Dominion and the Canadian?

Mr. THOMSON: I do believe that, Mr. Fawcett.

Mr. FAWCETT: You mentioned bus service cutting into rail short haul passenger travel; would you say that the traffic out of here would be mostly, say, from here to Winnipeg or here to Toronto rather than short haul traffic?

Mr. THOMPSON: I do not believe that the volume of that traffic would be as great as in the case of the Canadian and the Dominion.

Mr. FAWCETT: In other words, Mr. Thomson, you do not feel that, say, the Canadian and rail liner service would be sufficient; you think that there should be two trains, comparable to what they operated before, the Dominion and the Canadian?

Mr. THOMPSON: I believe that, Mr. Chairman. Part of my argument is that express facilities are important as well as passenger facilities, and I do not think the day liner would serve that necessity.

Mr. FAWCETT: Well, I am glad you mentioned that because I was going to ask you that question. There has been the odd time when they have not mentioned this head end traffic service. That is all Mr. Chairman.

Mr. REID: Mr. Thomson, you mentioned in the first page of your brief that cancellation of the Dominion would account for fifty percent of the CPR passenger service. Do you have any idea how much this would be in terms of national traffic capability.

Mr. THOMSON: I have no idea whatsoever. I would repeat that it is fifty percent of the service offered by the Canadian Pacific passenger schedule.

Mr. REID: According to my rough figures, the cancellation of the Dominion would work out to point eight percent of the total national passenger service capability of this country. Would you say there is a sufficiently large number of people utilizing this service now—these are 1964 figures—to justify this Committee ordering the Dominion back on the rails?

Mr. THOMSON: I do believe that Mr. Chairman.

Mr. REID: You made another statement on the first page, "The Canadian has already shown signs of its capabilities being strained by passengers driven from the Dominion." Do you have any examples or evidence of proof of this that the Committee might have? This is the first time we have heard of this.

Mr. THOMSON: Yes, I have personal experience of this. In the middle of December last year it was necessary for me to make a trip to Toronto. This is a period of the year when there are exceptionally high volumes of traffic on the road due to students returning home for holidays and so on. Even though the dining car steward reserved a place for me in the third sitting of the dining car schedule, I was unable to get into the dining car on the first evening out of

Toronto, in order to get a meal. The dining car steward remarked to me at the time that it was a hopeless situation, that he just could not cope with it. He was extremely sorry. It was no responsibility of his, in my opinion.

Mr. REID: This is a peak period thought, is it not?

Mr. FAWCETT: It was, yes.

Mr. REID: You would not say this is the situation all the time.

Mr. THOMSON: But, may I point out that specific train was especially geared and had additional accommodation added to it in order to handle the traffic, or supposedly to handle the traffic, which it could not. So you would think this would be related to an ordinary schedule where the equipment would not be of the same magnitude.

Mr. REID: Fine, thank you, Mr. Chairman.

Mr. ANDRAS: Mr. Thomson, may I congratulate you too, for the presentation of a precise and pertinent brief on a very important subject related to this area particularly, I have just a few questions. Could you give us an indication of the population of the two Lakehead cities of Port Arthur and Fort William, together with the immediately adjacent communities which feed in one trading area?

Mr. THOMSON: Yes. The two cities would total about 95,000 people, and the immediate area somewhere in the order of 130,000 to 140,000 people. The trading area, Mr. Chairman, would be in the order of 250,000 to 260,000 people.

Mr. ANDRAS: We are talking in the immediate vicinity of the Lakehead cities of about 125,000 to 130,000 and in the general area of north west Ontario about 216,000 to 220,000 people, is that it?

Mr. THOMSON: Yes.

Mr. ANDRAS: Now, one of the responsibilities, we have as a Committee, of course, is to deal as best we can in this subject or any other with the local problems and then we also have a national responsibility. As you are well aware, over the last year, since the indication that the Dominion was going to be discontinued, there have been a ream of protests right across Western Canada particularly; there have not been a great number of protests in Eastern Canada for which there may be reasons—one of those reasons, I think, is the question of alternate transportation, which I want to come to in a minute. We have to make recommendations finally that are in the best interests of the taxpayers and the nation as a whole. The Canadian Pacific Railway has presented arguments to us that this was a redundant service, that the passengers had left the train before downgrading took place; in other words there was a diminution of traffic before the diminution of service occurred. They claim also that to reinstate or to have unnecessary train passenger, service in their opinion, would be a misallocation of resources in this country. They claim that they are losing a great deal of money on the passenger train services, and then we get into, in due course the question, if passenger train services that do not pay—that is, cover their costs, and there is a great deal of argument about those costs going on—then of course if a service is provided in the public interest rather than in the economic interest of the CPR railway it should be paid for out of the taxpayer's pocket in the form of a subsidy. We have to weigh all these things; we have to be objective about it, and go down the narrow path between useless services and

necessary services. We eventually will build a picture from Vancouver through to this final hearing, and the sum total of that picture will heavily weight our recommendations. Now, in a city complex here, a trading area of 125,000, supplemented by the northwestern Ontario population of 216,000, what alternative transportation do we have from the Lakehead cities in the way of air?

Mr. THOMSON: We have the smaller transports visit this area; of course, we do not have the transcontinental Air Canada flights from Winnipeg, just the local stop-over here.

Mr. ANDRAS: You do have Transcontinental connections though with Air Canada?

Mr. THOMPSON: Yes. These are often taxed to capacity, I might say, and bookings, at certain periods, are extremely difficult to obtain.

Mr. ANDRAS: Well as one who has to travel quite a bit on Air Canada I can certainly confirm that statement. Now, we have about three flights a day on Air Canada and we have one transcontinental passenger service a day, and that is all, in an area of 125,000 people immediately around here and a surrounding area of 216,000. Is there any other Air Canada base for alternate air transportation to hook up with Transcontinental operations in northwestern Ontario.

Mr. THOMSON: No. Winnipeg is the closest.

Mr. ANDRAS: Winnipeg is how far from here?

Mr. THOMSON: Four hundred miles.

Mr. ANDRAS: So, the main centre on the west is Winnipeg, 450 miles away and, on the East, Toronto, some 900 to 1,000 miles.

Mr. THOMSON: 950 miles.

Mr. ANDRAS: So, the alternative transportation seems to inadequate to service an area this size?

Mr. THOMSON: Precisely.

Mr. ANDRAS: I will have some more questions later, Mr. Chairman.

Mr. O'KEEFE: Do you know, sir, what is the need for additional passenger services, quite apart from a desire to have such services?

Mr. THOMSON: What is my impression of the needs and the desires?

Mr. O'KEEFE: Yes, we know about the needs as you suggest to me, the actual desire of the people to use their services?

Mr. THOMSON: Well I think now that the railroad does have a faster schedule—or at least it did have at the time there was the two trains—it was a very handy sort of schedule, as I pointed out in the brief, to the business man, for instance, leaving the Lakehead this morning at 6.30, travelling all day on the train, relaxing, an opportunity to prepare his business in Toronto and so on. In these fast moving days at least it is a very vital thing to be able to arrive in Toronto ready for the business day, to be able to conduct his business there, and to leave Toronto again at the close of the business day.

Mr. O'KEEFE: I can see all those advantages. The Dominion was not taken off, because there were too many people using the service; it was obviously taken off because there was not sufficient people using the service. So, do you think the desire is now more than it was when the Dominion was on.

Mr. THOMSON: But I think if you went back in the history of the Dominion operation, Mr. Chairman, that you would find that at one time when accommodation and the facilities were available on the Dominion that it was patronized.

Mr. O'KEEFE: Do you suggest that the desire is still there?

Mr. THOMSON: The desire is definitely.

Mr. O'KEEFE: Just another question, Mr. Chairman. At the top of page two it says "It appears that more and more of the passenger transport area is being forced to other means of traffic." How is it being forced?

Mr. THOMSON: By not providing the accommodation and having sufficient accommodation available on their train at the present time.

Mr. O'KEEFE: Thank you, Mr. Chairman.

Mr. OLSON: On page one you talk about the complete frustration of both the passengers and the train crew with respect to some of the facilities that are on the train. Mr. Reid asked you some questions about this, so I want to ask you if you think that the present Canadian requires more dining cars.

Mr. THOMSON: Well, in my own experience again, yes. I would say so. There are times when the passenger capacity of the Canadian is so overloaded that they could not possibly cope with the dining facilities.

Mr. OLSON: But just at times, not constantly or consistently throughout all seasons?

Mr. THOMSON: No. As in most cases, accommodation is not available, and who knows what the demand might be if it was provided?

Mr. OLSON: Have you had any complaints from people in the Lakehead area of people unable to get reservations?

Mr. THOMSON: Yes, I have. Many, like myself, prefer to travel by train; I do. I spent five years in the air force and ground travel appeals to me.

Mr. OLSON: Well, do you think that the passengers on the trains would accept a different kind of service that may be a little less expensive to operate than the present dining cars?

Mr. THOMSON: Oh, I think the choice should be theirs, Mr. Chairman, although people today seem to prefer the better type of service rather than minimal service. I find no shortage of people who would like to travel first class.

Mr. OLSON: Again, on page one you talk about express services in fresh or frozen commodities and delivery of critical parts or material for industry is fast becoming obsolete insofar as rail traffic is concerned. I would like to know how important this so-called head end traffic on express service on the "Dominion" was to this area?

Mr. THOMSON: I could illustrate that very easily sir, in view of the recent truck strike I think this area suffered greatly from non-delivery of critical

items in some cases. When our new craft mill was being built in Fort William machine parts just could not be had, and that is all there was to it. We had one personal experience, equipping our City Hall. We have a new City Hall in Fort Williams—and we just could not equip it with furniture; it just could not be had. I am referring also to adding machines, which are small compact items, easily shipped by express. I am not speaking of the heavy freight furniture right now. We had to wait until it arrived here and it took days, in fact, weeks over the scheduled arrival.

Mr. OLSON: It is an unusual situation when you have a truck strike on; that could hardly be called normal. Were you adequately served by high speed highway transport when there was no strike on?

Mr. THOMSON: Well this is not so great a problem during the summer months, as it is during the winter months. You have occasions when there are days of delay in truck transport here.

Mr. OLSON: Are there any products that are shipped by rail express or in the head end traffic of the passenger class that are produced in this area and are marketed through that mode of transportation all through the year? Have you any examples?

Mr. THOMSON: Well, I do not know whether there are any that I can recall offhand, sir. If I was given a moment, I probably could recall. Small wood product manufactured item products such as plywood may be shipped on occasion.

Mr. OLSON: Well, on page two you say that it would be redundant for you to recount the happenings within the last year which signal the increased tempo of development in this country, and when you talk about the country I presume you are talking about the area around the Lakehead.

Mr. THOMSON: And Canada, as a whole, Sir.

Mr. OLSON: Oh, I see. Then you say this community has been trying with every effort to participate in this development. Do you think that you have been impeded to some extent because of rail transport?

Mr. THOMSON: I think this has had a marked bearing on it. It goes on, Mr. Chairman, to the point where those people that invest in an area examine every facet of an area very closely. They not only do it themselves but hire people that are expert in these fields to do this. One of the things they look at very carefully is the ability for a community to get its products to a market and to receive other materials in this community for processing. Now, I do not think I need impress on the Committee, Mr. Chairman, that this is vital to an area such as this, when it is isolated from two important centres of Canada, Winnipeg and Toronto.

Mr. OLSON: Could you give us any idea of the percentage of annual growth in population in this area recently?

Mr. THOMSON: I do not have it with me but I could supply it if the Committee so desired, Mr. Chairman.

Mr. OLSON: For example, could you give us an idea of how much growth you have had since 1960?

Mr. THOMSON: Very, very limited.

Mr. OLSON: And has transportation a bearing on this.

Mr. THOMSON: I would think it had a bearing on it.

Mr. OLSON: Is it equal to the percentage growth in Canada?

Mr. THOMSON: I do not think so.

Mr. OLSON: Thank you, Mr. Chairman.

Mr. MACEWAN: I have just one question here. There have been suggestions in quite a number of our hearings that the Canadian Pacific Railway had deliberately downgraded the service on the Dominion. Keeping that in mind and having regard to page three, the last paragraph, where you say, "In conclusion and by way of illustration as to the excellent service given to this particular community in the past by the Dominion and Canadian . . .", and then you point out the convenience and so on. I take it you do not believe there was any deliberate downgrading by the CPR of the Dominion service.

Mr. THOMSON: Not at that time, but since that time—I am speaking now of years ago.

Mr. MACEWAN: What years?

Mr. THOMSON: We may go back to 1954 and 1956; this was a period when I was doing considerable travel on the Canadian Pacific Railway, so I am familiar with it. After that the service just did not seem to be that good.

Mr. MACEWAN: Did you do any travelling on it after those years?

Mr. THOMSON: Well, I have since 1962, yes.

Mr. MACEWAN: How often would you travel on the Dominion?

Mr. THOMSON: On an average three or possibly four times a year.

Mr. MACEWAN: And you noticed a difference in the service during that time?

Mr. THOMSON: Oh, absolutely.

Mr. MACEWAN: Finally, you believe that so far as this area, the area pointed out by Mr. Andras, is concerned there is sufficient market here so far as passenger service is concerned to warrant putting the Dominion on again. Is that right?

Mr. THOMSON: I would believe that, sir. If it could be investigated that the number of requests for accommodation could be kept track of or tabulated, and I think this would bear this out.

Mr. MACEWAN: Do you know from your own knowledge whether there is sufficient demand?

Mr. THOMSON: Oh, yes, among those in my own circle, yes, I would say so, Mr. Chairman.

Mr. MACEWAN: But you mentioned before that you thought if someone looked into it they would find this would be true.

Mr. THOMSON: From my own knowledge, yes, I do.

Mr. MacEwan: What is your position in the city?

Mr. Thomson: I am city planner.

Mr. MacEwan: For how long?

Mr. Thomson: Ten years.

Mr. MacEwan: Thank you.

Mr. Caron: Sir, you told the Committee that when travelling to Toronto, even if you had your ticket, you could not go into the dining room because it was not well organized for that. If, as they claim, dining cars are not a paying proposition for the railroad, do you think that people would accept one meal, like we have in a plane, prepared ahead and handed to them in their seats. Could the full dining room as it is be dropped?

Mr. Thomson: If I might suggest, Mr. Chairman, I think people accept the type of meals you do get on aircraft because of the limited facilities there. You cannot carry a full kitchen on an aircraft and they realize that. The period of travel on aircraft is very short and no real inconvenience is felt. But on a train they expect and are willing to pay for a superior type of service, and this includes a good meal.

Mr. Caron: On a train it is also limited. It is not exactly the way it was and now even with the prices they charge they claim that they are losing money. Would it not be possible for the public to accept a little downgrading in the meals, to have one good meal and the same meal for everybody?

Mr. Thomson: Knowing the ingenuity of the Canadian Pacific Railway, I am certain they could devise some method of providing top service for the convenience of the passengers.

Mr. Caron: And you would accept a one meal service for every passenger?

Mr. Thomson: I might not be satisfied with it, but others may Mr. Chairman.

Mr. Rock: Mr. Thomson, you said before that the population of the two municipalities is 95,000, the general area 130,000, and the trading area around 260,000, and you also said that there was a great desire for railway traffic. Have you any figures as to the number of passengers that got off and on the Canadian and the Dominion in this area in the past years, and up to date.

Mr. Thomson: No, I do not.

Mr. Rock: Then, how do you substantiate that there is a desire?

Being a town planner I would have thought you have had these figures because I notice that all the way through from the west coast here none of the municipalities brought in these figures. Did you try to get these figures or is it possible that these figures that are available are to the detriment of your case?

Mr. Thomson: No, I have not tried to get them, and I could not tell you now whether or not they are detrimental to my case. I do not know if there is any way of obtaining them.

Mr. Rock: Oh, surely there is.

Mr. Thomson: Where, if there is other than tabulating requests that are made for accommodation on the railroad.

Mr. ROCK: You always revert to the requests that have been refused saying there was no accommodation. I am referring to those that were accepted as accommodations, and these figures are surely available. What I would like to know from you since you are presenting this brief, is whether you have looked into the possibility of obtaining these figures, which may substantiate your case that there is a desire. You seem to have built your case around the dining car because you were on that one train where dining car facilities were poor; ... you said you were in the third batch or something and you could not get a meal. I gathered the inference that because of this passengers do not want to get on the train—that is, because there are no proper dining facilities, and you feel if they had better dining facilities there would be more passengers. I gathered your case was built up around the dining car. Do you think that if they have better dining facilities that they will have more passengers or something?

Mr. THOMSON: No, Mr. Chairman, the point I am trying to make is that the accommodation is not there, whether it is dining facilities, sleeping accommodation or chair accommodation, whichever you want. If I might just illustrate, Mr. Chairman, in this matter of a request for accommodation, we will say that two years ago—it may have been three years ago now—I did phone the Canadian Pacific passenger agent in Fort William and requested a roomette on the "Dominion" from Fort William for Toronto and was told that there was no such accommodation available.

Mr. ROCK: Yes, but was this on a specific day that you wanted it?

Mr. THOMSON: No, no. It may have been on the 1st of December: it may have been the 3rd of June—I do not know; I just cannot recall. Twice after that I made similar requests for accommodation on the Dominion and twice again I was told that this accommodation was not available. Now at that point I do not request any further accommodation on the Dominion: I know that the Canadian is available. But I know also that I have to book at least two to three weeks in advance if I want a certain type of accommodation on the Canadian, whether it be a roomette, a bedroom, a lower berth or what have you. And if I do not do it then, then I will not get it, and I will have to use another means of transport that is not satisfactory to me.

Mr. ROCK: You spoke some time in December. You have to understand that December is the Christmas rush period and possibly there was more travel. You were making a request during the peak part of the season. We travelled on this train and I walked right through from one end to the other and found that just half of the cars were filled, and there were two coaches with no one in them. So I do not see any desire in this area to fill up the coaches or to fill up the cars. I have seen a lot of empty space throughout. When you say here that you are sure there is a desire I would like to know how you substantiate that desire to use the Canadian.

Mr. THOMSON: I can only speak from my own experience and the people I am associated with who prefer to travel by train also.

Mr. ROCK: Yes, but have they tried to get these accommodations at the peak time when everyone wants them during Christmas time or when they want to visit relatives in another part of the country during the Christmas season?

Mr. THOMSON: The point here, Mr. Chairman, is that the Canadian, if it were to carry the additional passengers from the Dominion, could be expanded—at least more coaches could be put on it or it could be retracted, coaches taken off it, in order to satisfy periodic demand—and both trains can be run the same way; in fact they were in the past run that way.

Mr. ROCK: Do you believe them, in summing up that you feel that the Canadian should run and also the Dominion should run?

Mr. THOMSON: I do.

Mr. CARTER: Mr. Thomson, I think in the answers you gave to questions by Mr. Andras established the fact that there was no alternate air service to take up the slack or fill the gap left by the Dominion. Could you, for the record, give the committee some indication what service you get from the CN; what part the Canadian National would play in providing service to this area?

Mr. THOMSON: I have not travelled on the Canadian National Mr. Chairman, but they run a branchline service. The mainline does not travel through the Lakehead and I do not believe their train runs on a regular daily schedule; I believe it is on alternate days, Tuesdays, Thursdays and Saturdays.

Mr. CARTER: So that there is no alternate service so far as the Canadian National is concerned?

Mr. THOMSON: None whatever.

Mr. CARTER: I gathered also from your brief that the Dominion suited this area very well because of its schedules. Now, do you find the Canadian schedules inconvenient?

Mr. THOMSON: Well, it does. For instance, the Canadian leaves here in the evening, arrives in Toronto at 5 o'clock the next evening. You have to stay over that night whether you like it or not. It does not make a great deal of difference to some possibly, but to others it does. You have wasted a day, in other words.

Mr. CARTER: With respect to passenger traffic, is it fair to assume from your brief that the bulk of this traffic would be between Toronto and Winnipeg rather than from Montreal to Vancouver, say. Would it be more regional traffic than a continental traffic?

Mr. THOMSON: I would think so. I would think that they would both be equally important to Winnipeg and to Toronto.

Mr. CARTER: Just one more question. With regard to consummation of sleeping accommodation, we have had a lot of evidence along the line that in certain places you may try to book sleeping accommodation well in advance, say two or three weeks in advance, but you could never get any satisfaction or any confirmation until up to practically the last minute. Is that the experience you have here?

Mr. THOMSON: I have found that on occasion, yes sir.

Mr. HOWE: Mr. Chairman, Mr. Thomson, in a great many of the briefs we have had presented—this question has been asked before but I would like confirmation on it—there has been a suggestion that rather than the Dominion be carried forward with its full complement of dining car and sleeping car facilities that it might be more advantageous to cities in the area to have a fast

daily type of commuter service between one city and another. What do you think about that, or would you not settle for anything less than the Dominion?

Mr. THOMSON: In thinking it over now, Mr. Chairman, this might be feasible between the Lakehead and Winnipeg, for instance, but between the Lakehead and Toronto I do not think it would be a happy answer to the problem.

Mr. HOWE: Of course, that would not be possible. But I mean, between the Lakehead and Sudbury, for instance, probably there are not enough people to use that.

Mr. THOMSON: I doubt it.

Mr. HOWE: But you figure it might be feasible for the other area.

Mr. THOMSON: It might be, the short runs.

Mr. HOWE: In answer to a question with regard to the necessity of improved or continuing rail service, you gave an illustration of the recent truck strike, and I notice in your brief you mention areas where there are times when the highways are blocked and when the airplanes are fogged in. In other words, you think that in some areas the Dominion should be carried on just to take the slack when everything else fails.

Mr. THOMSON: This might be the answer to some travellers but I think others would become more dependent on the railroad than they would on the other type of service. For instance, if you have to be in Toronto for a conference on Wednesday morning you want nothing to stand in your way of being there, and on time. There is no use in arriving there a day late because the conference is over. So you have to be certain of a good travel service.

Mr. HOWE: Do you think that that demand would ever arrive at a situation where the CPR could make a profit out of that type of service?

Mr. THOMSON: I think so, Mr. Chairman.

Mr. HOWE: Of course we could go back in the days when passenger service was really in the area where it might have paid, when about 28 per cent of the railroad revenue was made from the passenger service. Now it has dropped to about 7 per cent of the railroad's revenue and the equipment is becoming more expensive. Do you really think that in the face of this the passenger service could ever make a profit for any of these railroads?

Mr. THOMSON: I think if the railroad tries hard enough to entice the passenger with modern and efficient equipment, the accomodation and the service, that these passengers will use the railroad.

Mr. HOWE: Well do you not agree with me that the CPR tried that back in 1955 with their great fanfare, when they brought in the Canadian and the Dominion service and later on their fare saver program, and having tried it they feel that it is something that they just cannot carry forward?

Mr. THOMSON: I am not an expert on railroad equipment, Mr. Chairman, but it may well be that they did bring in the wrong type of equipment; I don't know.

Mr. HOWE: I imagine the CPR would have investigated to the utmost degree the type of equipment that was most modern, most useful, safe and economical at that time; do you not think that they would have, or do you think that at that time they did not get the latest equipment.

Mr. THOMSON: Well, the only scale of measurement that I have personally, Mr. Chairman, is the Canadian National Railways which seems to be supplying a superior type of service to its customers and getting along very well.

Mr. HOWE: Mr. Chairman and Mr. Thompson, this was ten years ago that the CPR went into this business. The CNR's program has just been within the last two years, and we will agree that tremendous technological changes in new equipment. We understand in the airplane business that when a machine becomes operational it is obsolete. Do you not think that the CPR made an honest effort ten years ago?

Mr. THOMSON: I daresay they did, yes.

Mr. HOWE: Why would they slow it down then?

Mr. THOMSON: I have no idea why they slowed it down. They cut the service back. I might mention, when you get to the matter of airlines, that the airline was built on a type of aircraft that cost somewhere in the neighbourhood of \$100,000. I think the latest type of aircraft which is being forecast for the future will cost somewhere in the order of \$25 million per copy. Now, it seems it would take the airlines a long time to pay for that equipment, and I think it will take the railroads a long time to pay for the type of equipment that possibly they should be providing. As I said before, Mr. Chairman, I am not an expert on transport equipment but it seems to me that if the demand is there it should pay.

Mr. HOWE: You spoke about the rate of growth in the area. Do you not feel it was not the availability of transport service but the cost of freight and express into these remoter areas where they had to get their manufactured articles to the markets and bring in components for manufacture? Do you not think this has more to do with it than the availability?

Mr. THOMSON: It has a great deal to do with it, sir.

Mr. HOWE: Thank you.

Mr. PASCOE: Mr. Chairman, Mr. Howe asked my question but perhaps I will just ask it again. On page two Mr. Thomson, you said the retention and promotion of all transcontinental railway passenger and express service operating on customer oriented schedules is a vital necessity, particularly for this locality. On the prairies it was brought out to quite an extent that they might be partially satisfied with a day liner or a rail liner, and the suggestion was between Calgary and Winnipeg. Could I ask you again, as Mr. Howe asked you, about the attitude of the Lakehead toward a fast day liner service in place of the Dominion.

Mr. THOMSON: Again, Mr. Chairman, I think for a short haul trip this would be the answer, but for the longer term where night accommodation and dining facilities are required I do not believe this would be the answer.

Mr. PASCOE: In regard to travel east then you do not think the day liner would be of much use to the Lakehead.

Mr. THOMSON: No.

Mr. HYMMEN: I have one short question and I appreciate the opportunity of asking you this, sir, because of your position as a planner, knowing that planners do obtain and correlate a great deal of information because of the type of their operation. Now this Committee has visited many communities from Vancouver to the Lakehead, we have had something like fifty briefs, and one thing that keeps coming up all the time is the fact that the Board of Transport Commissioners, in their hearings and decisions to allow the Dominion to be eliminated, were not able to take into consideration public interest or what you might call community need. Now if some facilities or financial assistance were made available would it be possible in this community and any number of communities from, say, here to Vancouver to determine factually what the community needs in regard to passenger rail travel, head end express service and some other things. Do you think this would be possible to determine—in other words, to get away from the theoretical aspect of what you want but what you need and what you should have. Do you think that would be possible?

Mr. THOMSON: I think it is possible to do that.

Mr. BELL (*Saint John-Albert*): Mr. Thomson, I have one or two questions of a local nature but, first of all, I want to say, in answer to Mr. Rock's queries, that I feel this committee has some responsibility to obtain the different number of revenue passengers at Fort William and other stops that we are examining. I do not think it is necessarily Mr. Thomson's responsibility because I do not think he could obtain this private information from the Canadian Pacific Railway.

I noticed in the Board of Transport decision on this matter of the Dominion that they say both companies are being required for the first time and will be required in the future to provide more information from their records as to the passengers on and off the different areas. A quick look at the only brief or statement that was filed in this regard indicates to me—I do not know if it is fair to interpret this—that at Fort William the passengers on and off appear to be down somewhat for Ontario but they are certainly comparable with all the western points we have mentioned.

What is your tourist potential here, Mr. Thomson? We have heard in nearly every one of the cities we have been in that a great deal is being made of the necessity of the Dominion or like service because of the tourist business this summer and next. I would like to ask you how big your potential is tourist-wise, and do you think the railway plays an important part in its future?

Mr. THOMSON: I certainly do believe this is important to this area; in fact, tourist trade is one of our basic industries here. We have many resorts in this area; it has been described as the land of 100,000 lakes, not 10,000 lakes, and almost every one of them that can be reached by any mode of transport at all has some accommodation there for the fisherman, the hunter, or just the plain vacationer. I believe the Chamber is presenting a brief, Mr. Chairman, and I think they will go into this more fully with you. I have not the actual numbers of tourists here, but I repeat, it is one of our basic industries.

Mr. BELL (*Saint John-Albert*): Well, I will wait and ask my questions of them; I suppose it is more appropriate to ask the Chamber.

In the winter time do you find the railways more reliable insofar as storms are concerned. You mentioned that the highways are blocked from time to time and I suppose it is important that you count on the railways for the necessary service.

Mr. THOMSON: There are three seasons of the year that we do find them more reliable and that is not only in the winter, when we are faced with snow storms, but also during the spring and fall when weather conditions such as fog and storms prevail. This is called Thunder Bay and it is not misnamed, believe me. We have the Granddaddies of thunderstorms here.

Mr. CANTELON: I was rather interested in Mr. Thomson's comment that it may well be that they did not bring in the right type of equipment, and this is something that has been concerning me too. Since you have been an air man and, I suppose, have kept in touch with what has happened with regard to transportation in the air, would you care to give any opinion what type of equipment or what line of research the railways should have followed in bringing in new equipment. I know that is really putting you on the spot.

Mr. THOMSON: If I may, Mr. Chairman, repeat that I am not an expert in rail equipment, but it would appear to a layman such as myself that track beds and rails are very expensive items and perhaps the railroad should be looking at some other mode of carrying their passenger equipment, or rail equipment for that matter. I do not know whether it should be monorail or some other type of facility that would have less maintenance cost because I think this would be a very heavy item. Then as to the equipment itself, it would seem that light equipment, using materials popularly used by aircraft and different types of motive power might be the answer to the railroads' problem? I know they experimented with diesel fuel and it satisfies them so far as their heavier demands on their equipment, but whether a better solution could be found for passenger equipment, I do not know, sir.

Mr. CANTELON: Well, the railways in other countries in particular have done some experimental work in this connection; for instance in Japan they have some very fast trains. I wonder though whether it is possible for us to do anything of that part here because they have an enormously heavy density of population and they move large numbers of people. What I am interested in though is your contention that perhaps we could have lighter types of equipment and new designed equipment. I think, again, it would be impossible for the railway to do this unless this equipment were cheaper, could be operated more cheaply and could move more cheaply.

Mr. THOMSON: If I might suggest to the committee, Mr. Chairman, speed answers two problems: speed moves heavy volumes of people short distances, but it also overcomes long distances and long distances is an important problem in Canada.

Mr. CANTELON: You must especially feel that here because you are so far from Toronto with a rather light population between yourselves and Toronto.

There is just one other thing I wanted to bring up, and you did give some opinion of this. Do you think that the airplane style of meal could be used on the train, and that it would satisfy the people?

● (10.52 a.m.)

Mr. THOMSON: Well, this is something that would have to be decided by the individual. I might say that it may not satisfy me and a good many people in this room, but I know the meal on an aircraft does not satisfy me now.

Mr. SHERMAN: Mr. Thomson, in answer to some earlier questions you gave the impression that the rail passenger business could be a paying proposition. This premise flies in the face of a good deal of evidence and testimony that has been compiled in various North American rail studies over the past several years. But what I would like to ask you is do you think it matters whether or not the rail passenger business is a paying proposition. If the demand is there and if the service is required in a country like Canada is not rail passenger transportation a necessary service whether its a paying proposition or not?

Mr. THOMSON: I believe this myself.

Mr. SHERMAN: Then you do not care whether or not it is a paying proposition so long as somebody pays for it.

Mr. THOMSON: Right. I think I mentioned in my brief, Mr. Chairman, that it would be a rather utopian situation if any large company or any government could operate every department and every responsibility at a profit, or even break even. But we all know, especially municipalities where we have to provide public transport in our transit systems, that it is a losing proposition so far as paying passengers are concerned. We just have to subsidize it though because it is required and it is a necessity in the municipality.

Mr. SHERMAN: Well, but we may not have to subsidize it but perhaps the CPR itself should subsidize it out of part of its corporate earnings.

Mr. THOMSON: Well, what I mean is that the municipality has to carry it as a deficit operation.

Mr. SHERMAN: I have one other question, Mr. Thomson. In an exchange with Mr. Howe you agreed with him that the CPR seemed to have made an honest effort in the mid-1950's to provide comfortable and adequate service facilities. I forget the precise exchange of conversation but you agreed, in essence, that the CPR rail passenger service of the mid-1950's was certainly adequate, if not even excellent. Mr. Howe then asked you why you thought they cut it back and I believe your answer was that you had no idea why they did. Do you think they may have cut it back because they wanted to get out of the rail passenger business?

Mr. THOMSON: I have been led to believe this due to their actions in these years, Mr. Chairman.

Mr. SHERMAN: Thank you very much.

The CHAIRMAN: Mr. Rock do you have a very short question?

Mr. Rock: No, Mr. Chairman. Mr. Bell made a comment and, in that connection, I just wanted to mention the fact that in the fourteen years I have had in municipal council in the city of Lachine I know that, on occasions, this municipality has presented briefs to the Commission and, in doing so, we have always obtained figures of the passengers on and off in the Lachine area at the

time. I don't believe that the CNR or CPR ever would refuse any of these figures.

Mr. ANDRAS: Mr. Chairman, dealing first with the question Mr. Rock has raised in connection with passenger traffic and the availability of figures, I have before me now Appendix I to the brief submitted to us in Winnipeg by the Province of Manitoba on Friday, and I do not think there would be too much argument with the validity of the figures. For the record, they are compiled from data reported by conductors on passenger train report IDP-352. This gives the revenue passengers carried on the Dominion by conductors run. Between Fort William and Winnipeg, for the year 1964, there were 33,843 passengers. Going East from Winnipeg: From Winnipeg to Fort William—and of course when we mention Fort William we are mentioning the Lakehead because the main station is there now—the traffic in 1964 was 38,481 passengers. I submit, Mr. Thompson, that with the cancellation of the Dominion there has been no alternative transportation supplied to the Lakehead to replace that average of 36,000 people moving between here and Winnipeg, both ways, every year. The year 1964 is the latest figures we have.

I submit that the only increase in passenger movement we have had from the Lakehead cities is the upgrading of a Viscount to a Vanguard; in other words, the addition of a few more passengers by the change in planes. But there has been no significant bus or air service and some 36 to 38 thousand people have been deprived of transportation that "The Dominion" supplied and that has now to be supplied by the "Canadian" which confirms your statement that the Canadian is being strained insofar as reservations and capacity out of here are concerned. We just have not had any replacement for it in a city of 125 thousand people. To get this in the record, would you simply give me your impression whether or not this is an accurate statement.

Mr. THOMSON: That is absolutely correct, sir.

Mr. ANDRAS: I think we have one brief coming up from the town of Ignace and perhaps the Chamber will be able to give us some information, but I would like to get your reaction, perhaps speaking beyond the Lakehead cities for northwestern Ontario. Could you confirm to me the reasonable accuracy of the statement I am going to make, in that there are some 30 odd communities between here and the Manitoba border that were serviced by the Canadian Pacific Railway passenger service and that, in the cancellation of "The Dominion", which was a local train, there have only been two stops, I think, at the most—and I would not vouch for the accuracy of this except that it is approximate—added on the "Canadian" to replace the elimination of some 30 odd stops by "The Dominion" and perhaps some few flag stops. I ask you whether you consider this to be adequate transportation for this area.

Mr. THOMSON: This, again, is obvious—it is not. And a look at the schedule confirms the fact that these stops are the only ones that have been added.

This business of transportation out of these small communities is vital in every respect to them.

Mr. ANDRAS: Do you consider in north western Ontario we have reached any stage of adequate access highways for instance, to replace this movement of people?

Mr. THOMPSON: No, we have not.

Mr. ANDRAS: So it remains a very distinct and unique problem in this area.

Mr. THOMSON: It is.

Mr. ANDRAS: Now Mr. Thomson, in your capacity as Town Planner, perhaps you can give us some information on this other line, which is taking another tack.

In the 1881 agreement entered into by the Canadian Pacific Railway with the Government of Canada, certain concessions were made to the Canadian Pacific Railway in the way of land grants and cash grants. This was done by the Government of Canada mainly from the land assets of western Canada, not eastern Canada. The purpose, of course, was very valid and that was to link up the east with the west British Columbia and the Prairie Provinces. But the provinces had no control over where these grants were made or even, in fact, the act itself. Those concessions must—some of those land grants—must centre around this area. How, for instance, have those concessions affected the cities of Port William and Port Arthur?

Mr. THOMSON: In one way, they have not been carrying their fair share of the tax load in the municipalities. For instance they give a grant to the municipalities in lieu of taxes but this, I would venture to submit to the Committee, would be less than 50 per cent of the actual tax burden of the municipality, as applied to these lands.

Mr. ANDRAS: This would apply to both the Lakehead cities here?

Mr. THOMSON: Equally to Fort William and Port Arthur, yes. And to some outlying municipalities too.

Mr. ANDRAS: Just one final question, Mr. Chairman. Projecting along the lines that Mr. Sherman has started then, with all these concessions and with the existence of the 1881 contract between the Government of Canada and the Canadian Pacific Railway, stipulating that they would "for ever maintain run and work efficiently the Canadian Pacific Railway", do you not think there is a valid case to look to the Canadian Pacific Railway for picking up a reasonable portion of any deficits on passenger operations as compared with the Canadian Government or the tax payer having to subsidize it all?

Mr. THOMSON: I agree with this wholeheartedly. This is where I pointed out in the brief that the country did bestow on the company some benefits that put it in debt to this country, in my estimation.

Mr. ANDRAS: Thank you very much Mr. Thomson.

Mr. FAWCETT: In the statement, Mr. Chairman, I think there something was mentioned regarding Canadian National passenger rail service out of here and, just for the record, there is no passenger connection north, out of here, to the Canadian National main line; they operate freights only.

Mr. THOMSON: There is a passenger connection, but it is just minimum accommodation, a day coach I believe it is.

Mr. FAWCETT: Well it does not operate right through does it, it is a way freight, it is a mixed train service, that is what I mean. It is not a passenger train.

Mr. THOMSON: It is part of our general service.

Mr. FAWCETT: Thanks you.

Mr. CANTELON: Could I ask a question of the Chairman? Could we ask the CPR to furnish us with the last time-table of the "Dominion", when it was going full strength.

Mr. THOMSON: I would have to take a look at that.

Mr. ROCK: What was that question Mr. Chairman, please?

The VICE-CHAIRMAN: The time-table of "The Dominion" when it was running full strength.

Well Mr. Thomson this completes your inquiry and I want to thank you and both cities for your excellent brief.

Well the next brief will be two briefs in one. There will be the Chamber of Commerce of Sudbury district and the Lakehead Chamber of Commerce—both briefs in one—and I would call upon Mr. Clow to come up here and read this brief.

Mr. CLOW: Mr. Chairman, gentlemen of the Committee, just before I sit down I must explain to you that this brief was to be submitted by our Chairman of Transportation, Mr. Stewartson, who has signed it and who has prepared it, but unfortunately he was called out of town and I am pinch-hitting for him this morning. He is unavoidably away. Therefore, I may not have done as much homework as I should, although you may get a chance at me. Thank you. The Lakehead Chamber of Commerce presents this brief as an addendum to our brief to the Board of Transport Commissioners on October 27, 1965. We stated at that time we could manage without the "Dominion", with some inconvenience. It now appears that such is the case and these inconveniences, while annoying, are being circumvented both in passenger and express traffic. Our main concern and one that is being brought more forcefully to our attention each day is that this type of thinking is being brought to bear on the "Canadian".

Since the "Dominion" was removed from service the "Canadian" has begun to deteriorate in its class of service and its efficiency. It can only be presumed, from our position at the Lakehead, that there is at the best, no firm interest in passenger transportation within the CPR.

Unfortunately for the Lakehead, unlike Ottawa and Montreal, CNR track-age here does not lend itself to 1st class passenger service, so no ready solution such as theirs presents itself. As stated in our original brief, authorities, should be alerted in order that the "Canadian" will be maintained as a 1st class train on regular daily schedule at all times. We believe it to be an obligation of the CPR that such service be continued.

The Lakehead Chamber of Commerce, representing more than 1000 industrial business and professional men at the twin cities of Port Arthur and Fort William, do not intend to try to impress the Board with masses of data on the merits of retaining the "Dominion" in service. The Chamber of Commerce is convinced that costs and revenues, as produced, give sufficient proof of the

financial loss it entails. We have also found that the number of passengers involved is not great in this terminal particularly.

We should, however, in the light of statements made by officials of the CPR at various times point out this fact, that they would prefer to get out of the passenger service entirely. We should therefore make a closer scrutiny of the over-all picture.

As early as last year a minor CPR official in the west made a statement, published in the press, that the "Dominion" would be cut off this year at the end of the summer. The Chamber realizes this is not to be construed as an official company statement of policy. However, we do think it was certainly not just idle talk in the light of this very thing taking place.

The Transportation Committee of the Lake head Chamber of Commerce sympathises with the statement that deisels are needed for the grain haul and certainly we are in favour of helping out this unhappy situation, where the grain movement from the west is not enough to keep the lake ships busy. However, at the present time, it would seem this argument followed the fact, rather than being the prime cause.

We believe it is possible, but inconvenient, to get along without the "Dominion" at the Lakehead. It will cause some disadvantages in passenger traffic and it will cause a deterioration in express service, as has already been shown. But these are not of a serious nature, at least at present. If the "Dominion" is cancelled we come to a much more dangerous situation. With the "Canadian" being the only passenger train of consequence operating over a good portion of the system, and in particular in this area, all the various charges against passenger traffic will be apportioned to that one train. In this we can foresee a further more serious problem developing. The "Canadian" then can be shown to be a very high cost train and subject to the same treatment as the "Dominion" is now receiving.

The Chamber of Commerce is very definite in its position that the Board of Transport Commissioners should be alert, in advance, to this situation in order that the "Canadian" will be maintained as 1st class train on regular daily schedule at all times. We believe it to be an obligation of the CPR that such a service is contined.

This is respectfully submitted.

The VICE-CHAIRMAN: Thank you very much Mr. Clow.

Mr. CARTER: Mr. Clow, you make a point that in your brief to the Board of Transport Commissioners you stated that you could get along without the "Dominion"; it would be inconvenient, but I gather it would not be too serious. And on page 1 of your brief at the bottom you refer to the fact that diesels were needed for the grain haul. Were you weighing one against the other when you came to that conclusion that you could get along? If you had to do without one or the other you would prefer to do without the passenger service?

Mr. CLOW: I believe this is correct that we were weighing the fact that the grain haul is important to the Lakehead and that some ships—although it was greatly over rated—were lying without a load in the Lakehead harbour and we needed the trains here.

Mr. CARTER: So that actually you were making a choice between two services; if you had to lose one, which you would rather lose, rather than

making a statement that the "Dominion" was not too essential to your convenience and to the economic welfare of this area.

Mr. CLOW: Probably we were weighing the inconvenience of the "Canadian" against the economic welfare regarding the amount of traffic and employment that would be created by the greater amount of grain that would be handled here; and it probably was considered much more important. This, of course, was last fall and it could continue again.

Mr. CARTER: Now, further down on the first page, you suggest that the "Canadian" must be maintained on a regular daily schedule.

When you had one train only, before the "Dominion" and the "Canadian" before they were separated and you had the double service—that train that was running prior to this was that on a different schedule from the "Canadian" or the "Dominion". I gather when it came, on the "Dominion" schedule was most convenient for this particular area. Before you had the "Dominion" and "Canadian" did the "Dominion" follow the schedule of the train you had prior to that; that is what I want to get at.

Mr. CLOW: As I understand it—I believe I am correct in stating this—the "Dominion's" schedule did not change. It was the "Dominion" formerly, it remained the "Dominion" even after the "Canadian" came on and its schedules remained the same, except for sleeping car services east.

One of the points of inconvenience, as far as the "Dominion" was concerned, and I think it has been made already, but business men, both in Winnipeg and here, were able to get aboard a sleeping car, which was parked in our station, here in the evening, travel overnight and be in Winnipeg for business the next morning, get back on the train around 6 or 7 o'clock in the evening and do the same thing again coming back. But this is when the "Dominion" was on and I do not think its schedule changed at all when the "Canadian" came on.

This, of course, is not possible now and I believe a great number of people travel by air on account of this. As a matter of fact, air traffic has probably tripled. I understand from the local manager of Air Canada that their air traffic is so fantastic now that sometimes they are unable to take care of it.

Mr. CARTER: Thank you Mr. Chairman.

Mr. FAWCETT: Well Mr. Carter, I think, asked the question that was in the minds of everyone, including mine, Mr. Chairman, I will pass.

Mr. BOULANGER: Mr. Clow, you know by now that I am a strong public relations man for Expo and, so far, I have been talking about it across the country. As a member of the Chamber of Commerce I am surprised that you do not even mention the importance of tourism around here too.

Let me ask you a first question. Have you any passenger service for tourists, by boat, such as those coming from Montreal here? Have you any special organization like that?

Mr. CLOW: Mr. Chairman this, of course, has been a point with the Chamber of Commerce recently and we did not mention it in this particular part of the brief.

The CPR operated the "Assiniboia" and the "Keewatin" here but, due to Government regulations, this service has been discontinued.

We have had a great deal of representation from our own members locally, particularly hotel people, that they suffer a considerable loss in revenue and in business due to these boats having been taken off.

We have made representations to both the Government and the Canadian Pacific Railway about this and the CPR state that the boats could not be put into service to meet with the Board of Transport D.O.T. regulations without a tremendous cost and therefore the passenger traffic and the traffic of these boats and their age does not warrant this particular expenditure.

We, as businessmen, if this is the case stated, must agree with it. We must accept the inevitable, so to speak. It is a great loss to us; and the tourist business at the head of the lakes. I might add, is about a 25 million dollar a year business at the present time. About 130 to 140 thousand American cars, come in here and if you multiply this by 3.5, which is an average for those cars, you will get about five hundred thousand people.

The tourist business is very important and we are now getting a great number of requests regarding these boats. As a matter of fact I have seen letters recently, from people in the States who are very sorry they are not able to get on these boats to take this trip down the lakes.

Mr. BOULANGER: Thank you. My second question is this. You, of course, being a representative of the Chamber of Commerce, speak a lot about—and it is your duty to do so—the importance of business, trade, industry and businessmen. But with the increased rate of prices on the “Canadian” do you not feel that the class of people now being hurt most by this, are those in the lower income bracket. We heard some complaints that the people who could now travel, having a 40 hr. week and probably a month’s holiday, are the ones with families, who had no other way out of here other than by train. Do you not agree that they are the ones who are the most hurt right now?

Mr. CLOW: I would think so, because the person who has to go, at the present time travels by air from the head of the lakes.

This I will say, the person who must travel on that train,—someone previously mentioned empty coaches on the train—I would think those people would be hurt quite a bit; more than people such as business people who must travel and therefore will go any way they can.

I would like to make the point that the “Dominion” being taken off also curtails our postal service. It is now coming in by truck, I believe, and this curtails our postal services, to a certain extent, and our express.

Speaking as a private individual concerned with express, the express service into the head of the lakes at the present time is—I am sorry I cannot say the word in public. It is very poor.

Mr. BOULANGER: One last question. Would you agree that the Chamber of Commerce and important people like you, located in the Lakehead area, should now try to make a very strong representation that for centennial year and the EXPO, regardless of problems, including that of finance for the CPR that we have heard about. A big campaign should be made right now in order to get the “Dominion” or a special service back for Expo year, which is a Canadian affair, you know. We must have people from here out there, because it is your Expo too, you know.

Do you think you should help me and help us to get the CPR back in its job on that?

Mr. CLOW: We would be pleased to have you in our Chamber of Commerce, Mr. Boulanger. You are doing an exceptionally fine job for Montreal.

Yes, it would seem this would be quite feasible, that planning should be made ahead and the country should have this sort of service, for the centennial year particularly, where transportation will probably be at a tremendous premium.

Mr. BOULANGER: Thank you, that is enough for now.

Mr. OLSON: Mr. Clow, in response to a number of questions from Mr. Carter you suggested that, in drawing up this brief that was presented to the Board of Transport Commissioners on October 27th, that your attitude and your opinion was conditioned by having to make a choice between accelerating the grain movement and the value to you of the passenger service.

If you or the CPR had had ten more power units at that time, you may have or probably would have, presented a far different brief because this is the number of units that they claimed would be available to them with the discontinuance of the "Dominion". Is that correct?

Mr. CLOW: This is quite possible, yes.

Mr. OLSON: Well, at that time, the CPR claimed they had 1068 power units. If they had had 1078 at the time then, of course, you would have presented a far different picture than you did here.

At the time they also had 32 power units ordered and I think some of them have been delivered and are in service at the present time. Therefore, if you were writing a brief respecting passenger service for the Lakehead today, bearing in mind that they have not obtained some of these power units, you would not be weighing this in favour of those particular aspects of your economy that are in here now?

Mr. CLOW: If, after going into the facts and satisfying ourselves of this particular condition, it is quite possible that we would not be weighing it that way.

Mr. OLSON: Thank you Mr. Chairman.

Mr. PASCOE: Well, Mr. Chairman, since I have been here, I have heard quite a few complaints about the cancellation of the passenger service on boats servicing the Lakehead. Mr. Boulanger asked a question on that and I think Mr. Clow answered quite fully. That is all I wanted to ask now.

Mr. ROCK: Yes, I would like to continue on one question Mr. Boulanger asked Mr. Clow and this is about the tourist passenger ships which your area has lost because of the stiff Department of Transport regulations. Also, the Montreal area have lost about 8 ships I believe, for the Saguenay cruise because of the same regulations.

These ships were for years in service and, all of a sudden, there were new safety regulations, which put them out of business. Do you feel that, before the Department brought out regulations such as this, they should have at least brought in an incentive program for properly reconstructed ships with a

subsidy, so that the service could be retained; with reinforcement of the regulations once the new ships were in service so that the tourist trade in passenger shipping would be retained? Do not you think so?

Mr. Clow: I do not think I would like to comment on whether or not I think so until having thought that over, Mr. Rock. Personally I do not believe in subsidies.

Mr. Rock: You have answered quite directly there, thank you.

Mr. ANDRAS: Mr. Clow leading to the question of your antipathy towards subsidies but facing the question of the passenger train service in this country, there have been many indications, not only on the basis of the Canadian Pacific Railways representations, but of American railways and others, that passenger train service has always been a problem and an unpopular part of the responsibilities of almost any railway. There has been indication that it is pretty damned difficult to make it profitable.

The CPR, in fact, have presented evidence, on the basis of their cost analysis, that they lost \$24 million last year in passenger train service. There is some argument about the exact amount of the figures and we, in this Committee, are probably going to have independent cost analysts come in and take a look at that. And the reason for that is that there were other meetings of committees prior to ours, there were personal reports, and so on, and the Board of Transport Commissioners, themselves, have taken a different look at the costs that come out of this type of allocation approach that the CPR uses—this regression analysis and so on. So it is really a matter of opinion.

Somebody the other day posed a very interesting question that, in this allocation of expenses throughout the various trains of the Canadian Pacific Railway, if you took the same technique applied to the "Dominion", and you added up the total expense applied to the "Dominion" and to every other train, on the same basis, you might interestingly come up with about 200 per cent of the total expenses of the Canadian Pacific Railway for running trains.

I am not suggesting that this is fact, but it was an interesting thought and I suggest it is really just a point of view on how you allocate these expenses.

Now, assuming anyway, that it still could be a deficit or loss operation and assuming, also,—and most of us in this Committee I think, are convinced and I am not begging a report Mr. Chairman—that there has to be an upgrading of passenger service in the national and local interest, I ask you as a businessman, and as the Chamber of Commerce President, who should pick up the tab on that deficit, considering that the CPR did enter into a contract which uses the word "forever"; considering that, as a result of grants and some pretty astute management in CPR, they are in total with Canadian Pacific Railway, Canadian Pacific Airlines, Canadian Pacific Investments and I am told their corporate empire, the sum total of their operation is pretty healthy, pretty profitable. Who do you think should pick up the tab, the deficit for the losses on passenger train service that are required, assuming that we can establish that they are required?

Mr. Clow: Mr. Andras, I am in a business where we very often have to pick up the deficit ourselves. I am of the firm opinion that Canadian Pacific

Railway contracted at an earlier date with the people of Canada to perform a service for the people of Canada in return for certain concessions. These were concessions of great magnitude, as we all know.

It would seem to me, as a businessman, that they are now trying to get out of their contractual responsibilities. I, as a contracting person, am not able to do this. If I have a contract with the CPR and it calls for me to perform certain things for certain things, I must do this; my heirs assigns and so forth and so on. Legally, I must do it. Therefore I feel that they are trying to get out of this particular part of their contract, and I feel, if there is a deficit, they should pick up the tab.

Mr. ANDRAS: Would you temper that very definite and direct answer, based on the size of that deficit? Would the size of that deficit make any difference to your attitude toward it? If for instance the deficits were \$50 million instead of their reported \$24 million do you think they still should pick up the deficit, and within their corporate performance?

Mr. CLOWE: Let me say this, I do not know anything about operating a railroad, but I believe that their passenger service is very inefficiently run. I say this as a person who has ceased to use it for the simple reason that I can never get reservations because they have no way of making reservations like the airplanes. On the aircraft you can get a reservation yes or no within five or ten minutes. On the Canadian Pacific Railway you cannot get a reservation yes or no within two or three weeks and right up to the time of the train. Therefore, this is no good as far as people wanting to use transportation of that type is concerned. I feel that in a business the size of theirs, and with the accounting methods we have today, they can show any size loss they require to present any picture they require. I believe this bears out what you just said. I think if they want to show a loss on their passenger service it should be reflected in their over-all picture, and from the price of their stock and the dividends, and so forth and so on, I do not think that they are suffering too greatly.

Mr. ANDRAS: Mr. Clowe, moving on then to some broader aspect, there has been considerable discussion, we have heard many representations during this tour from Vancouver east, and indeed we had heard some suggestions along this line before. To the effect that first, I think everybody agrees that we are facing in this country the need for a co-ordinated national transportation policy of some great depth. There has been the suggestion that the Board of Transport Commissioners is to limited in its scope for this purpose. We have even had some people suggest to us the consideration of—as has been described—almost a super-board, national transportation board. As you may know, now we have an Air Transport Board, which is autonomous; we have the Board of Transport Commissioners, which is autonomous; and we have another one, the Maritime Commission, which is autonomous. The thought comes about now that in order for us to co-ordinate the best use of transportation services, there should be an over-all board that sits in judgment over air, over highways, over water, over rail, all related to transportation services in total, and this would include, of course, passenger train services. I say that, to come back into the terms of reference, Mr. Chairman, because I see you looking askance at me. This could be a super board; it could be a pretty huge and very powerful operation. It

could, for instance, if the terms of reference went far enough, say to a community like the lakehead—well, the lakehead in its size is a little large for this. Let us take a community like Schreiber or Marathon or Terrace Bay, any of the communities that we know around here. They say, "well now look, you are of a size that you cannot have the best of everything; we cannot give you Air Canada service and rail passenger service, and good highways and bus service and so on, so at your stage of development you would have this and this but not that". What would be your reaction to such a policy?

Mr. CLOWE: This would seem to be sort of putting all your eggs in one basket, if this board were purely autonomous and all the other boards were governed by its rulings. However, it is no secret that I am a great booster for unity and amalgamation, and therefore, I think that the better relationship you have between these boards, the more liaison, a more efficient organization for transportation could be developed throughout the Dominion of Canada.

Mr. ANDRAS: Mr. Clowe, along that line, as you know, in Parliament I found in my first term that many of the problems we have are aggravated by the fact that there is provincial jurisdiction over certain matters and federal jurisdiction over other matters. In the field of transportation, and along the line that I am presenting here, highways, for instance, are under provincial jurisdiction, and such a board to operate with the authority it might require, and this is just a hypothetical thought at the moment, might have to ask the provinces, for instance, to surrender a bit of their jurisdiction over highways in order to co-ordinate this. Do you feel that in the national interest this would be wise or otherwise?

Mr. CLOWE: This might be so. Certainly, the municipalities have surrendered a certain amount of their rights over highways to the provincial departments in the past few years, and in the interest of better roads and better transportation, it might be possible, sir, this sort of thing would take place in a committee such as this, and they would surrender some of their responsibility.

Mr. ANDRAS: One final question, Mr. Chairman, knowing northwestern Ontario very well myself, and knowing that you also know it, knowing that we are not developing our economy at the pace that we feel is possible, if we got the right approach to it, do you think any diminution of the movement of people through this area should be permitted in terms of economic development, if nothing else?

Mr. CLOWE: No, this is one of our great problems, transportation, both from passenger traffic, freight traffic and otherwise. You must have gathered by now that we are really isolated as far as this is concerned, and we must not have a curtailment of transportation in this area, if it can be stopped at all.

Mr. ANDRAS: Would you subscribe to the replacement then of the "Dominion" in its full consist during the summer months for tourism, and perhaps relaxation of that or the smaller consist for the winter months, such as existed say two years ago?

Mr. CLOWE: As I say, I believe this would be proper, although at the present time I do not travel on the trains. Therefore, I cannot say how crowded they are or how uncrowded, but I do know that during the summer time I

believe it is very tough to get a reservation or get a room on the "Canadian". Therefore, I would take it from this that it would be necessary for tourists, with the influx of tourism and tourists to have the "Dominion" on during the summer months, when traffic is heavy, particularly, during Centennial Year.

Mr. ANDRAS: Is there not another factor that in this area we are trying to build up the winter tourist business through skiing trips and so forth? Are you aware of the evidence that has been presented to us that the Canadian Pacific Railway has on many occasions recently refused to make any concessions for group rates?

Mr. CLOWE: I was not aware of this, although this winter tourist dollar as far as this part of the world is concerned is becoming increasingly important, and while the people come in from the south by the hundreds by busloads, I believe it was tried to organize some train services here from the west, but it was not successful. Well I do not know whether it was or not, but anyway this would be a remarkable thing as well, because we have excellent winter sports here.

Mr. ANDRAS: So that if all these extra avenues of additional traffic were explored with a good promotional effort, similar, say, to the effort being put into it by the Canadian National Railways, perhaps there could be some contribution to our economy here, and also the railway would see a great deal of increase in passenger revenue?

Mr. CLOWE: I do believe so. As a matter of fact, I admire the Canadian National Railways public relations and advertising department for the wonderful job they have been doing on this particular thing. To a person like myself, they brought to my attention that they are offering a super service, although I have not had the opportunity to use it.

Mr. REID: I see time is moving on and I will be very brief. I was very interested in your comment that you were personally opposed to subsidies, and yet, if we continue passenger service on the CPR, and you suggest that it should be picked up by the corporation as a whole, what you are really doing as a potential freight shipper, is subsidizing passenger service instead of perhaps getting the benefit of lower freight rates.

Mr. CLOWE: This might be so, but the chances are we would not get the lower freight rates anyway.

Mr. REID: I think that is a very good point.

The VICE-CHAIRMAN: Mr. Clowe, I think that this completes the questioning and I want to thank both the Chamber of Commerce and yourself.

Mr. FAWCETT: On a point of order, Mr. Chairman, I understand that the Sudbury and district—

The CHAIRMAN: Just a moment, please; I am coming to that.

Mr. FAWCETT: Oh!

The CHAIRMAN: I would like to have a motion to have the brief of Sudbury District Chamber of Commerce printed as an appendix to today's proceedings.

Mr. FAWCETT: I would like to explain what I was coming to, Mr. Chairman. This is addressed to "Chairman and Members of Board of Transport Commissioners for Canada," which I believe is an error; it should have been addressed to us, coming from that area, I would just like to make this comment, I am

sorry that there is no one here from Sudbury, because I see from looking at the timetable that Sudbury does have a rail liner service in addition to the "Canadian", and it would be interesting to know what they think of this service and whether it is sufficient to the west where they do cater to a tourist area. I am very sorry that there is no one here to present this.

The VICE-CHAIRMAN: I believe this brief will come before a House of Commons committee, and you will be allowed to take part in the discussion then, Mr. Fawcett.

Mr. FAWCETT: May I move that this be printed as an appendix?

Mr. ROCK: I will second the motion and suggest that the words be changed from "Chairman and Members of the Board of Transport Commissioners" to "Chairman and Members of the House of Commons Standing Committee on Transportation".

Mr. FAWCETT: Yes, this was an error on their part, I am sure.

The VICE-CHAIRMAN: Agreed?

Motion agreed to.

The VICE-CHAIRMAN: I have a brief here, but I have nobody to represent them. The brief is from Mr. Thomas Lynn the regional secretary, member of National Communist Party, asking that this brief be tabled only. I took a quick look at it, and there is nothing very serious in it. I would ask a motion to put this brief. Moved by Mr. Caron, seconded by Mr. Byrne. There is nothing to it. Mr. Caron, who is the seconder?

Mr. CARON: Mr. Bell.

The VICE-CHAIRMAN: Agreed?

Motion agreed to.

Mr. OLSON: Mr. Chairman, this brief from the National Communist Party, is that from Toronto or where is it from, the lakehead?

The VICE-CHAIRMAN: The North Eastern Ontario regional Committee of Port Arthur, Box 845, Port Arthur, Ontario.

Mr. ROCK: Does any name appear on the brief?

The CHAIRMAN: The name on this brief is Mr. Thomas Lynn. The next brief is from the corporation of the Township of Ignace, and I would call upon Madame Isabelle Neale, Counsellor and representative of Ignace.

Mrs. ISABELLE NEALE: Mr. Chairman, members of the committee and all others present, previous to my reading of the brief I would like to give the preamble that this is a copy of a brief which was presented at the hearing on October 27 to the Board of Transport Commissioners. I am going to sit as I read it, but I would like to stand if you do not mind. In view of the fact that this was prepared last year and it was not intended to present it today: it was co-incidental that we had it with us, and we were persuaded by a member of the committee to present it today. I have with me a fellow councillor and our reeve. At the question period it may be necessary that they would be in a better position to answer some of the Committee's questions than I am. With your permission I would like to sit. Thank you.

The VICE-CHAIRMAN: Is it agreed.

Some hon. MEMBERS: Agreed.

The VICE-CHAIRMAN: The Corporation of the township of St. Ignace.

Mrs. NEALE: No, Mr. Chairman, it is not St. Ignace.

Mr. CHAIRMAN: Township of Ignace.

Mrs. NEALE: For the benefit of the committee, Ignace spelled I-g-n-a-c-e, is 147 miles west of the lakehead on the trans-Canada highway. We are 70 miles from our nearest doctor. With your permission, my name is Mrs. Isabelle Neale. The Corporation of the township of Ignace desires to present this brief at the Port Arthur, Ontario hearings on the above subject. Point one the Township of Ignace is a small divisional point on the CPR main line in northwestern Ontario and as such is concerned gravely about possible layoff of staff.

On page 3 of the summary of the evidence of the company, it is stated that only 116 junior employees would lose their job at present. This seems low on such a wide transcontinental system, but does this figure include auxiliary employees such as carmen, station employees, ticket agent, etc. Consideration should also be given to employees who have invested in the small communities on the CPR main line, because their work required them to live there as rail employees. This latter matter was also the subject of the commission into the CNR run through at Nakina.

While alternative passenger transportation may be in existence at present, such as buses, there is no known obligation on these carriers to provide daily services. Should they discontinue passenger transportation or curtail it severely, passenger transportation would become much more difficult.

Point three. It is noted that the sleeping and parlour car and dining and buffet car revenues are grossly out of proportion with regard to expenses as compared to revenues. It seems that great savings could be effected here by reduction of this service which does not, except in July and August, seem to be in much demand. The rail service with an increased, return mail service, increased express service, could thus perhaps be continued and make the expenses more nearly match revenues.

Point four. In the exhibit of the memorandum on revenues and costs, on page 3, the mail revenue has ceased. This stopped in June of 1965. Since that date, mail along the main line of the CPR west of Fort William, at least to Winnipeg, has been exceedingly poor. It seems to take two days for mail to reach from one intermediate point to another from the date of mailing. Quite often, mail can take lesser time to reach across the continent or into the United States.

When revenues from passengers were decreasing it seems strange that the government should take away further large amounts of revenues from the rail carrier, specially when a poorer alternate was provided. Point five. There seems to be no question that the company should be compelled by the law makers, the government, to provide grossly uneconomic service in the passenger field. If so, the law maker should provide revenues instead of taking them away as noted above. Also, if the passenger division is so uneconomic as it seems here, and if passenger service is deemed to be in the common good for the country, a federal subsidy should be provided. This is simply similar to the situation in almost any municipality that operates a municipal bus system. The bus system

must be subsidized because the common good demands that transportation be provided for citizens who for various reasons require such common carriers.

Point six. It is noted from the passengers carried on the "Dominion" that in 1964, \$1,702,727 in passenger fares were paid in July and August, 1964. Cessation of this service at least in summer months would, it seems, cause, to say the least, a very serious dislocation of service.

Point seven. In conclusion the company should not be expected to suffer a continuing giant loss in providing a public service if such is demanded by law. On the other hand, the public should continue to expect good, reliable service for the reasons noted above. All of which is respectfully submitted on behalf of the Township of Ignace.

With your permission, Mr. Chairman, I would like to add a footnote to this prepared very briefly this morning. Existing Canadian train service is such that it seems to be discouraging rather than encouraging passengers. The cost is prohibitive as compared with alternate services. Care and courtesy to passengers leave much to be desired.

In the express and freight area, this service is costly and slow. Perishable goods arrive in poor condition. In an effort to give better services to the public, alternate means are used. Highway haulage gives better service, but what is this doing to the condition of our highway. Please note that I say "highway". We have one. Costly road programs are carried out, but they do not stand up very long to the heavy uses to which the Trans-Canada highway in this area is exposed.

Ignace is a small community, established originally to serve the CPR because of curtailment of CPR services, this community is fighting for survival. We feel that some consideration should be given to protect the investment made by individuals who have served the CPR faithfully for many years.

Mr. Chairman, committee members, the two people who are with me presenting this brief are CPR employees, one of forty-six years service, the other of twenty-three. They have invested in time and energy and money in this community. This is the point that I bring to a climax. Are these investments of human interest to be thrown aside to think of the dollar. Thank you very much.

The VICE-CHAIRMAN: Would you like to have one of your men answer the questions, or are you going to answer.

An hon. MEMBER: She seems to be doing very well.

Mrs. NEALE: There may be some point so far as CPR is concerned, that these gentlemen could answer better than I. I have been a resident of the community for only five years, although a resident of northwestern Ontario since 1946.

The VICE-CHAIRMAN: Could we call on the two gentlemen to come up too.

Mrs. NEALE: Mr. McNabb and Mr. Humphrey.

Mr. REID: Thank you, Mr. Chairman. I think I should point out to hon. members of this Committee first of all that Mrs. Neale is the first lady we have had appear before us to give a brief in English.

Now, Mrs. Neale, just to get things straight, Ignace is not a home terminal, but a turn around point on the CPR. Is that correct?

Mr. McNABB: That is right.

Mr. REID: That is correct. Now, secondly, the question about the mail. Are you aware that the CPR is carrying some mail on the "Canadian" at the present time.

Mr. McNABB: They are not carrying any to our knowledge. We have a mail truck service out of the lakehead and eastward from Winnipeg where it may originate. But it is the only guaranteed knowledge of mail service that we have.

The CHAIRMAN: Could you come closer to the microphone Mr. McNabb. Could you repeat that for the benefit of the Committee.

Mr. McNABB: Gentlemen, at the present moment, to our knowledge, there is no mail carried on the "Canadian". Our service is bus service for our mail out of the lakehead and east from Winnipeg I would say, Manitoba. That is our distribution.

Mr. REID: In other words, the "Dominion" used to drop your mail off on a daily basis, where as there is now no daily dropoff on the railway.

Mr. McNABB: That is correct.

Mr. REID: And it now comes by Greyhound bus.

Mr. McNABB: No; it is a special bus by the postal authorities.

Mr. REID: A truck service, in other words.

Mr. McNABB: Truck service.

Mr. REID: Now, Mrs. Neale, you said something in your brief about the CPR being relieved of its contract by the government to carry mail. Are you sure the CPR was relieved by the government or was it in fact a request by the CPR to the government to be relieved of this contract?

Mrs. NEALE: I am sorry I cannot answer this question. I do not have the information.

Mr. McNABB: To the best of my knowledge, this was a request by the Canadian Pacific Railway to be relieved of this service. They, I think, asked for that, but I do not think that the government postal authorities took this concession away from the Canadian Pacific Railway on their behalf; the Canadian Pacific Railway, to the best of my knowledge, asked for this concession.

Mr. REID: Would you say that this would be a step in the Canadian Pacific's plan to rid themselves of the necessity of carrying on this "Dominion" service?

Mr. McNABB: To the best of my knowledge, it was proceedingly the first step regarding abandoning the "Dominion" which was the train that at that time was carrying the mail.

Mr. REID: I have a question on the trans-Canada highway, Mrs. Neale, perhaps since you have not been in Ignace as long as Mr. McNabb. You may not be able to answer this. How many times has that particular highway been re-built to your knowledge sir. To my knowledge, it has been about five times.

Mr. McNABB: The trans-Canada Highway No. 17 through Ignace, our vicinity, has never been completed because they are building from year to year, and I do not think they will ever get it completed, because it is being torn up faster than they can get contracts to complete it.

Mr. REID: Thank you. Now, if the CPR moves out of Ignace, what will be left? Will there be any economic base for the town to carry on? Is there any tourist trade; are there any roads leading up into the hunting and fishing country, are there any mines available?

Mrs. NEALE: For the benefit of those who are not familiar with the area, a new highway was opened up just a few months ago to the north country. This is the only other road in our area of Ignace.

Mr. REID: Where does this road lead to?

Mrs. NEALE: At the present time, it is going to Pickle Crow. I believe it is the intent to extend this farther and eventually link up in Manitoba.

Mr. REID: I think I should tell you that that is going to be a long-range intent if it is ever achieved.

Mrs. NEALE: Well, and in view of the fact that the mining area of Pickle Crow is now closing down, it would seem to me personally that this is an expenditure of money that is not going to bring the result that has been anticipated.

Mr. REID: Thank you; that is all my questioning, Mr. Chairman.

Mr. FAWCETT: First, I would like to compliment Mrs. Neale as Mr. Reid did, and to say that I am beginning to wonder why we have not had more presentations from ladies because they seem to do it so very effectively. I would ask this. I understand you to say that Ignace is a turn around point for crews. Either crews originating at that point, freight or otherwise?

Mr. McNABB: Ignace is a divisional point between Kenora and Fort William. We have crews coming out of Kenora, which turn around at Ignace, and return to Kenora and likewise forward into Ignace, and return. This has been going on ever since Ignace has been a terminal, possibly one of the major terminals that exists between Winnipeg and Fort William.

Mr. FAWCETT: Well, the point I wanted to make was simply this: there are no originating crews there. It is not a home terminal if there aren't any crews. Is this correct?

Mr. DEMWAY: It is a home terminal for yard crews of which there are three yard engine shifts through 24 hours of the day. That employs nine men plus one relief engine, which employs three other men and then you have, of course, the engineers and firemen also involved.

Mr. FAWCETT: Yes, reference was made to Nakina. Nakina was a combination of home terminal and turn around point. It was a turn around point for Hornepayne crews and also a home terminal for crews operating west out of Nakina freight crews. Passenger crews, of course, ran through there. I just wanted to get this clear because to put everything in its proper perspective. You would also have, I understand, car inspectors and this sort of thing at Ignace.

Mr. DEMWAY: Well, we have car inspectors. They have taken off a lot of our men. We only have one car inspector per shift now and it is getting down to the bottom of the barrel.

Mr. FAWCETT: I just have one more question. What is your position on the railway?

Mr. DEMWAY: I am a yardmaster with the CPR.

Mr. FAWCETT: I gathered that. You are wearing the same kind of pin that I do. Thank you.

The CHAIRMAN: Mr. O'Keefe.

Mr. O'KEEFE: Mrs. Neale, may I first of all follow the other Committee members and congratulate you on the excellence of your brief and also on your lovely soft Scottish accent. It will be picked up on tape and will not appear in cold black and white.

Mr. MACEWAN: Coming from an Irishman, that is tough.

Mrs. NEALE: I am married to an Irishman, so I am accustomed to good relations between them.

Mr. O'KEEFE: I notice you made a particular point of your road, your Trans-Canada highway. May I suggest that we only this year in the province that really made Canada a country from sea to sea, completed ours, and we are celebrating that by a tremendous "Come Home Year" effort this year. That is not the question Mrs. Neale. In your brief you suggested that the Company should not be expected to pick up the deficit, to pick up the tab. Would you suggest who should?

Mrs. NEALE: Like a preceding gentleman, I personally do not believe in subsidy so it is rather a difficult position for me to support a brief which suggests this, contrary to my own personal belief. However, I believe it does suggest that the Federal Government pick up the subsidy.

Mr. O'KEEFE: Do you have bus service now in Ignace?

Mrs. NEALE: Yes sir, we do.

Mr. O'KEEFE: Is that a paying proposition?

Mrs. NEALE: Do you mean local bus service? No, no we do not have local bus service; I am sorry. We have transcontinental bus service.

Mr. O'KEEFE: Do you agree with the premise that the consumer should pay for what he consumes provided it is economically and socially feasible.

Mrs. NEALE: Yes, sir.

Mr. O'KEEFE: Thank you.

Mr. OLSON: Mrs. Neale, I was very interested in your brief because it gives the viewpoint from a small community that appears to be in isolation somewhat if the CPR withdraw some of this service. And you said there was no known obligation on the highway buses to provide service. I am very interested in that. Is the bus service that you have not there under the obligation of a franchise?

Mrs. NEALE: I cannot answer this, sir. I do not have that information.

Mr. OLSON: That is fine. We can probably find that out anyway.

Mr. REID: Well, perhaps I can answer that now. They do have a franchise and I believe they are obligated to provide service to these communities along the way.

Mr. OLSON: Well let me ask you this. Is it seasonal? Do you have any interruptions in the bus service for several days at a time, or is the highway open all the time?

Mrs. NEALE: Yes.

Mr. OLSON: One other point; Mr. McNabb, are you retired from the CPR now?

Mr. McNABB: Yes, sir. I would like at this time to relate my position in regard to what was mentioned by Mrs. Neale at the start of her presenting her brief. I am a retired pensioner, we will term it, from the Canadian Pacific Railway. I have served 46 years of my life working for the Canadian Pacific in the capacity of a stationary engineer and shop foreman in the roundhouse department.

Now, my service has been covered from the year 1917 when I first hired out as a call boy in the traffic department. I was 15 years of age, and I received for that a nominal fee of \$56.00 a month, and in those days of 1917, we were still 70 miles from a doctor, but they charged us a \$1.50 which was taken off my cheque every month for a doctor but we still never saw one. I have been reeve of the municipality and I am starting my fifth year and in bringing to this meeting our brief, as Mrs. Neale has stated, at the start, we at the present time in Ignace are battling for our survival because the Canadian Pacific Railway saw fit, when they were finished with steam and went to diesel, to destroy all their steam equipment; the roundhouse was demolished and coal chutes and what have you in regard to maintenance of steam. That meant a loss to the municipality of Ignace of approximately \$7,000, which was a terrible loss to us. We were fortunate to be able to go tourist and now this is our only existence with the exception of a skeleton staff. As Mr. Humphrey states this is all we have left. On the termination of the "Dominion" well, as it was stated across the country, there would be very few men laid off. But Ignace lost 11 residents who were laid off. They in turn had to go to Winnipeg for a position in the shops and in the car department, and the same at Port William. That is our position.

Mr. OLSON: Mr. McNabb do you have a long service pass on the CPR?

Mr. McNABB: Well, I can now throw it in the wastepaper basket. I have a long service pass for 46 years of service. That entitles me to transportation from to coast. It is impossible to use it.

Mr. OLSON: Well you can get on the Canadian for half fare, can you not?

Mr. McNABB: Fare rate, yes.

Mr. OLSON: Were you under the impression that this was a right as part of your long service to the company; that it was part of your fringe benefits and so on?

Mr. McNABB: Yes, because normally it is thought a good many of the people all across the country that this is a confession that is just given to

railroaders and, in a sense, it formed a portion of our pay over our years of service. That is one concession that is granted and it is, as I say, part of our pay to have that pass.

Mr. OLSON: Only one more question. How do the people in your community get to a doctor when they are sick?

Mrs. NEILL: By any means at all.

Mr. OLSON: I am sure of that. But what do you use.

Mrs. NEILL: I will be a little more specific. In the days of more adequate passenger facilities we could use the train. In case of emergency we could get on a freight, but now we run around and try to get anybody at all who will take us to a doctor. This is how I know the condition of the trans-Canada highway between Ignace and Dryden because I am pressed into this type of service continually. Not only that, it is our closest hospital. We have people confined to hospital; their families wish to visit with them, and there is no public transportation suitable to take us to the nearest point for shopping, medical services, professional, and business services. I am sorry I have to answer I do not have this information, the only reason being that I have to go to either Dryden, the Lakehead or Winnipeg to get constructive information. This, I find, very frustrating.

Mr. BYRNE: Mr. McNabb stated, I believe, that the trans-Canada highway has been either demolished or reconstructed about five times. Was this demolition in order to bring it up to trans-Canada standards or was it because it was destroyed by the trucks.

Mr. McNABB: Actually I would say it was demolished in our severe winters and quick break ups possibly in the spring. Heavy transport has increased ten fold since the Dominion has been out of service, and they are just pounding our roads to pieces. Roads just will not stand up under that condition and that is one situation that we are faced with.

Mr. BYRNE: Mr. McNabb, would the discontinuance of the Dominion result in more than several trucks operating to carry express which was normally carried on the "Dominion".

Mr. McNABB: No, not reasonably so because as you all aware, the Canadian Pacific Railway is not only in the passenger business and grain hauling; they are in the truck business—they have fleets of trucks of their own—and their advertising reads: "land, sea and air". They have increased considerably the number of trucks in their fleet.

Mr. BYRNE: Well then actually, heavy transport trucks are carrying other than express that would normally travel on the Dominion.

Mr. McNABB: Transport trucks have been put into service because of the discontinuance of the trains that used to haul a nominal amount of this cartage of cargoes and they are evidently over loading these trucks with stuff that should be shipped by rail or going exclusively—

Mr. BYRNE: If the highway has been demolished at least five times, to your knowledge, this was because of heavy transport trucks that operated long before the Dominion came on.

Mr. McNAEB: I would not say that because the Dominion carried freight and other things. It is just normal additional business because of the construction that is going on across the country now.

Mrs. NEILL: If I may add a comment, sir, heavy transportation on the trans-Canada highway dates back to 1959, the time of the strike on the CPR and it has gradually increased because it has been found that highway transportation has given better service to the smaller communities. However, since the apparent change in attitude of the CPR toward serving the public there has been a great increase in highway heavy transportation, and in the last 4 or 5 years the greatest problem has been because no longer are there half loading restrictions in the springtime at the breakup, when the frost is coming out of the ground. This is not a local situation. This is a department of highways regulation. On side roads there are half loading regulations. But when the frost is coming out of the ground these heavy transports are continually running over it and it breaks up the surface which has cost so many thousands and millions of dollars.

Mr. BYRNE: But you would agree that since you are living almost right on the trans-Canada highway many of these trucks are not for local services but rather transcontinental services.

Mrs. NEILL: Transcontinental.

Mr. CARON: What is the population of Ignace?

Mrs. NEILL: 862.

Mr. CARON: Then there is something else in addition to the CPR facilities there.

Mrs. NEILL: The CPR is the only industry. However, we do have some of the staff of trans-Canada Natural Gas Pipe Lines living within the community. We also have a tourist business during the summer months. Great Lakes Paper has come in during the past two years.

Mr. CARON: Have you a paper mill there?

Mrs. NEILL: No we have no mill, it is a logging department.

Mr. CARON: It is a logging department.

Mrs. NEILL: Yes. It has been there for several years but it has increased greatly in the past two years.

Mr. CARON: So if the CPR leaves there there is still something to keep the local population busy.

Mrs. NEILL: We believe that permanency of Ignace has been dependent on the CPR because logging, as it is done in our area, is on a movement basis; the people come with the attitude, "I do not have to move my family here because I can commute to the various larger areas". We do not feel there is too much permanency in that. So far as trans-Canada Pipe Lines is concerned, there is a degree of permanency, but they are being automated as well as other things, and there may be a cut back. So, the investment that people have made can be lost or merely be operated as a summer investment for tourist operation.

Mr. CARON: How many people depend on the CPR for their living in Ignace?

Mrs. NEILL: My information is that there are no more than 150.

Mr. CARON: Thank you.

The CHAIRMAN: Mr. Sherman.

Mr. SHERMAN: Mrs. Neill, I was interested in your position on the question of subsidies or the position that the town of Ignace takes, and to which you subscribe. If I am quoting you and your brief correctly, I believe you suggested and it suggests that in the case of a service like the late lamented Dominion Passenger Service, if the service is unprofitable but necessary the township of Ignace believes that a federal subsidy should be provided.

Mrs. NEILL: This is a suggestion made by this brief but I will point out that in my presentation of this brief I made it known that this was a presentation to the Board of Transport Commissioners on October 27, 1965. I was not in council at that time and, therefore, in the presenting of it, I had no part in the preparation of it. Therefore, I am merely presenting it as past procedure; I had nothing to do with the preparation of it.

Mr. SHERMAN: But at least at that time the township of Ignace felt that a federal subsidy might be justified.

Mrs. NEILL: Yes.

Mr. SHERMAN: They might not necessarily feel that at the moment but they did at that time, and you would assume that they still subscribe to that view.

Mrs. NEILL: Yes.

Mr. SHERMAN: While I am interested in that particular question, I wonder why you, personally, feel that in this case that the burden should be placed on the Canadian tax payer in general. Is it because you do not feel that it would be fair to place the burden on the freight shippers.

Mrs. NEILL: I believe this point is included in the presentation with regard to mail service, which is a federal department. I also believe that the rail service, with an increased return mail service, increased express service, could thus perhaps be continued to make the expenses more nearly match the revenue. I believe this is pointing out the fact that the passenger service is losing money but it could be compensated for by the continuance of the mail service, increased mail and express service so that there would be a better balance and it would present a better picture on the overall expense and revenues in the presentation of the CPR. I believe this brief has circled around the reasons why the CPR is making it evident that they are losing so much money that they have to curtail services which are not profit making, or at least financially economical to operate.

Mr. SHERMAN: So the question of a federal subsidy would be a last resort, not a first resort; you want us to examine all the other aspects of the revenue picture.

Mrs. NEILL: Well, in my understanding of this brief, this is a suggestion of a means whereby the CPR could be persuaded that it would be in their interest to

pay more attention to mail service and better express and freight service to compensate and, therefore, there would not be the need to withdraw the passenger service.

Mr. SHERMAN: But paying more attention to it does not necessarily admit to a granting of a federal subsidy. That is what I am getting at. I just wondered how strong your feelings and the township's feelings are with respect to the granting of a federal subsidy. It is conceivable, under your suggestion, that by paying more attention to it, by harvesting those fields more clearly than they are doing at the present time, they might be able to make the passenger business almost compensatory without a federal subsidy.

Mrs. NEILL: Yes, but, you know you are getting me almost convinced that I believe in subsidies.

Mr. SHERMAN: You are getting me almost convinced that you believe in it. I do not think that you and I should convince each other.

Mrs. NEILL: Coming back to the situation that we are discussing, I believe that the different points presented could elevate it, plus the addition of a federal subsidy, to make it at least profitable enough to carry on the passenger service.

Mr. SHERMAN: Thank you, Mrs. Neill. I will not labour the point. I would like to ask Mr. McNabb, who has had 46 years with the CPR—I put this question to you because Mrs. Neill says she has only been in Ignace for the past five or six years—if he feels over the past decade the CPR has deliberately downgraded its passenger service on the Dominion, and now on the Canadian.

Mr. McNABB: Well, I would not care to comment extensively on that question because—

Mr. SHERMAN: We have been told by railroaders in other parts of western Canada that this has been the case.

Mr. McNABB: Let me put it this way: I could maybe go out and make that statement but the question is to be able to prove it to this meeting because I have not any sound ground to commit myself on that question.

Mrs. NEILL: Mr. Chairman, if I may be permitted, I would like to answer that question from a personal point of view. My gentlemen are not as courageous as I am, but they told me of an experience that they had on a trip to Toronto in March on municipal business. They were travelling in a sleeper and a lady was thrown out right into the aisle because of the roughness of the train. They can give you the details.

Just three weeks ago it was my privilege to go to Toronto on behalf of my municipality but for cost reasons—I am Scotch and I watch my money, my own and other peoples—I drove to Sioux Lookout to travel CN to get a cheaper way of travelling. Now I think this would answer your question. They are definitely downgrading their service in the care they give, the courtesy they shout and the fares they charge.

Mr. SHERMAN: Well, it does answer my question, Mrs. Neill. I thank you for your courage and salute you for it. This is the point that I was trying to get at, Mr. McNabb. I do not want proof from you. I just want a personal opinion from you, as a railroader with 46 years of experience, and nothing to lose now that

you are retired. Would you say that, in your opinion these services are being deliberately downgraded.

Mr. McNABB: We will come to this question now. Most of you gentlemen are aware of the hungry thirties. Now the Canadian Pacific Railway ran these four passenger trains they had at that time: there was a number three, a number four, a number one, and a number two. There were four passenger trains. Now they ran those trains at that time under a considerable loss. But it was a known or advertised fact by some of these Canadian Pacific Railway officials that the mail contract plus the express and everything at that time was contributing partly to the cost of the maintenance of running the trains. They were losing nothing. As I have stated, they first discontinued the mail contract, and our express delivery was dropped to the extent that there was not the proper staff to handle it. People were receiving destroyed goods and there were claims and everything else. There was an article in the *Winnipeg Tribune* to the effect that numerous conductors and personnel retired. Without having to prove it, I would go along with that too; trains have been downgraded. The condition of the trains is not up to standard. They are not paying any attention to them.

Mr. BELL (*Saint John-Albert*): Insofar as the dependability and vulnerability of your community on the railway and its future is concerned, may I ask if discussions have ever been held between the company and your township insofar as jobs, the future of the employees and possible transfers? What has been the attitude of the company in this regard?

Mr. McNABB: Well, in respect of our personnel in Ignace requesting such information, they do not ask this kind of question because they know they will not get any information. A lay off is bulletined and it is effective within approximately 48 hours. That staff is automatically laid off without any question, any excuse or anything. Consequently that has happened and lost approximately 8 or 10 families, who had very short notice of the lay off. They had to report to either Winnipeg or to Fort William to continue work.

Mr. BELL (*Saint John-Albert*): Would it not help your community to know, insofar as possible, the future overall long term plans for the railway so that you can decide whether things are really black, whether the whole township has to face a very serious future, so you can make plans accordingly.

Mrs. NEILL: It would definitely help sir. In view of the fact that government departments require certain things they cost the municipal tax payer money, and we would be putting out money that we would never get any return for.

Mr. ANDRAS: Mr. Chairman, Mrs. Neill, gentlemen: you have brought up a whole new aspect of this program of eventual abandonment of passenger service by the Canadian Pacific Railway. You would call Ignace a railway town, would you not? How many other such railway towns can you name, say, in northwestern Ontario similar to your own in this general aspect.

Mrs. NEILL: Possibly White River would be the only other one, it is the north eastern area.

Mr. ANDRAS: Schreiber.

Mrs. NEILL: And, Schreiber.

Mr. ANDRAS: Then, across this country there would be literally dozens and dozens of these communities that built up around the railway and, generally speaking, are dependent on the railway as their main industry. Is that not correct?

Mrs. NEILL: I believe Ignace is unique in that it only has one road. There is a bottleneck of passengers, freight and express between Winnipeg and the Lakehead in view of the fact that the Lakehead is the head of the terminal of the Seaway.

Mr. ANDRAS: Now that the Dominion had been cancelled if, for instance, in some future date, four years, five years, ten years, the Canadian were cancelled, what would be the situation in Ignace.

Mrs. NEILL: A lot of us would be stuck.

Mr. McNAABB: That would just unload some more grief onto us, automatically.

Mr. ANDRAS: Could you survive.

Mr. McNABB: Well, that would be questionable because as I say, at the present moment, with the Dominion being taken off, thereby reducing its staff there, we are not going to be successful in our tourist adventure. We in Council of which Mrs. Neill is a very respected member, are going out and soliciting tourist traffic, which is our existence.

Mr. ANDRAS: Thank you very much.

The VICE-CHAIRMAN: Thank you very much. If you have completed your questioning, I want to thank both of you for the way you have answered the questions.

We now have a brief from the Fort William Women's Progressive Conservative Association. It is being presented by Mrs. Barbara Davenport, past president, and also Mrs. Mary Hastings. A request has been made that this brief be printed as an appendix.

Mr. THOMAS: I so move.

Mr. O'KEEFE: I second the motion.

Motion agreed to.

Mr. BELL (*Saint John-Albert*): Mr. Chairman, I think we should commend these active political organizations for doing this. As I said out West, when another organization from a political party—a lesser known one, I cannot think of the name of it right now—was presenting a brief it is very worthwhile, in our democracy, to hear these expressions of opinion from a political group.

The VICE-CHAIRMAN: Before closing, I would like to put this letter on the record. This person wrote to the clerk, mentioning certain views, and requested an attendance before this committee. However, this was not present this morning. The name is Mr. G. Douglas Morris, M.D., from Sandrock Pines, Algoma, Ontario.

I also have a letter from Mr. W. J. F. Johnston, local chairman of Lodge 306, the Brotherhood of Railroad Trainmen from Fort William, Ontario.

I have another letter here from Mrs. Mabel Romain, Secretary of the Grand International Auxiliary to the Brotherhood of Locomotive and Engineers, North Bay, Ontario. These letters sent out were returned.

Mr. ROCK: Do you mean these people are not present here.

The VICE-CHAIRMAN: No, they are not present here this morning. I want to mention a letter was sent to them and it came back.

Mr. ROCK: Do you mean the letters were not delivered.

The VICE-CHAIRMAN: No.

Mr. ROCK: You mean they were mailed to them to appear and they came back. If so, they must have given the wrong address or something.

The VICE-CHAIRMAN: All I can say is that the wrong address was sent to the clerk. The clerk had the right address and the letters were sent to those people and returned marked "wrong address".

Mr. OLSON: Just one point, Mr. Chairman, it is completely clear that while they may not have been here this morning when you called for other briefs, they are not here now, either. Is that correct?

The VICE-CHAIRMAN: They are not here. They have not received the letters. Well, gentlemen, this completes our inquiry and our tour.

I want to thank the committee for your support. Also, I want to thank everyone that has presented a brief to this committee.

We will be guests of the City of Port Arthur for dinner, which will be held at the same hotel we were at last night. We will be leaving the hotel at 3:30 in order to arrive at the airport at 4 o'clock.

Mr. O'KEEFE: May I congratulate you for the excellent way you have handled this committee during the last day or two.

The VICE-CHAIRMAN: Thank you. Before you leave, I believe there are one or two members who still have keys for the cars we had yesterday, courtesy of Mr. Andras.

Mr. BELL (*Saint John-Albert*): Do not mention the names of the cars in the record.

Mr. ANDRAS: Mr. Chairman, before we adjourn, would it be in order for me to record in the minutes of our proceedings the gratitude of members of this committee to all those who hosted this committee during our sojourn in Port Arthur and Fort William. I think the arrangements were appreciated by all of us. I would like to mention the Lakehead Harbour Commission, the Lakehead Chamber of Commerce and of course the Cities of Port Arthur and Fort William.

The VICE-CHAIRMAN: I think we should move a vote of thanks to Mr. Andras and the mayors of both cities for the way we were welcomed by these two cities.

APPENDIX "A-2"

A BRIEF TO
THE HOUSE OF COMMONSSTANDING COMMITTEE ON TRANSPORT
AND COMMUNICATIONS

Honourable Sirs:

The Sudbury and District Chamber of Commerce commends this Committee for their decision to hold public hearings on this question. Only in this way, is it possible for the Committee to examine all the social and economic implications and effects of such a wide sweeping change in the trans Canada service of one of our Canadian railway systems. We regret that the Committee was unable to schedule hearings in Sudbury. Unfortunately, our Chamber is unable to be represented personally before you in your sittings in Port Arthur. However, our views of this proposal follow.

It must be emphasized that railways in this part of Ontario play a more significant role in the economic and social affairs of communities than in more fully settled regions. The railways since their original construction, which incidentally gave many of these towns their start, have continued to serve as the main method of transportation for people and goods. In the short distance from Sudbury west to White River, there are 17 communities that have no other connection to the "OUTSIDE".

Indeed, it must be pointed out that even such a basic social service as the administration of justice is dependent on the Canadian Pacific Railway for its ability to render judgment in such communities. In addition, there is a considerable movement of commercial travellers who bring the availability of a wide range of goods to these places. During the tourist season, the steady flow of tourists, particularly Americans, is a clear indication of the attractions of this region west of Sudbury as a mecca for hunters, fishermen and all who enjoy the outdoors.

For the business and professional community in the Sudbury region, the importance of convenient overnight rail passenger service to Toronto and Montreal cannot be overemphasized. This is particularly important when the vagaries of uncertain weather conditions during fall and winter make alternate means of passenger movement less reliable.

We would like to comment on the Company's arguments which indicate a decline in passenger traffic on the Dominion. It is our considered opinion that this decline may very well have been brought about by a planned deterioration in quality of service and equipment. It must be clear that such a down-grading of quality inevitably causes the travelling public to seek alternate means of transportation wherever such may be available. For instance, the overnight service from Sudbury to Toronto for which there is no alternative at present, provides a supply of 16 berths, two compartments and one drawing room, to serve a prospective transportation market of over a quarter of a million persons.

An examination of the passenger statistics supplied by the Company indicates that the passenger traffic between Montreal and Toronto and the Lakehead represents 44 per cent of the westward movement and 42 per cent of eastward in 1964. In the first seven months of 1965, it still held up to 43 per cent westward and 42 per cent eastward. Yet, this distance is only 34 per cent of the total mileage served by the Dominion.

As a Chamber of Commerce, representing over 580 businesses in Sudbury and District, we are most reluctant to see the services of the Canadian Pacific train The Dominion curtailed, or removed, in so far as it serves the needs of our citizens and those communities to the west of Sudbury.

However, should this Standing Committee concur in the railway's application, then we are most sincere in requesting that the Committee should take prompt action to ensure that appropriate alternative passenger transportation facilities be made available to meet the requirements of our people and serve their economic needs.

Respectfully submitted,

A Godfrey,
President, Sudbury and District
Chamber of Commerce.

APPENDIX A-3

TO THE STANDING COMMITTEE ON TRANSPORT AND
COMMUNICATION

Some Thoughts on Protest of Government Action to Discontinue Daily "Dominion" Service for CPR.

Here in North Western Ontario we find a transportation situation which may be termed unique for the province. Because of our geographical location and based in part on the history of our development, stretched as it is along a thin line of rich yet lonely land, we find a sense of pioneering still present in the hearts and lives of the men and women who live along the line of the CPR. Such names as Raith, Bonheur, Raleigh, Dymont, Dinowic, Wakegoon, Vermillion Bay, Keewatin, Lowther all have a place in the growth of the north, pushing back our great frontiers by the hard work of their people.

These honest people, by their labour and steadfast determination to build a greater Canada here on the population fringe, find themselves dependent on the contact that only the Dominion passenger train service can give them, to the outside world. It may well be that these brave persons do not use CPR services to any great degree, but they must retain the assurance that it is there; for use in emergency, and when transportation, lacking by road or air, is needed. Herein lies the responsibility of your company to Canada and her people.

We cannot stress too strongly our feeling that this very real and very large obligation to the public is rooted deeply in the initial stages of Canadian railway building. It was then that the Canadian people through their government leaders, financed this rail-building programme with land grants of considerable size all across the country. Here in our city we still find a large and commercially valuable acreage of land tied up and dormant—property of the Canadian Pacific Railway.

Does the company not then realize that there is some debt of repayment still owing to the people? Surely in services, if not in cash, could this repayment be made in part.

Here in Canada we find the two main rail lines, both private and public, heavily subsidized by the taxpayers' money. Here is a private company using these subsidies to declare dividends on the company shares. Is this realistic? Why should the Canadian public be asked to provide substantial subsidies when we are not to be given service?

May we suggest that with a wise reassessment of the property holdings of this company in certain areas and greater consideration of the needs of those on the frontiers of our country, the interests of this great country, on the eve of her one hundredth birthday, can be more happily met.

Mrs. Mary Hastings,
Mrs. Barbara Davenport,
for Fort William Women's
Progressive Conservative Association.

BINDING SECT. APR 1 1969

